

# REVENUE

## OVERVIEW

“Cautious optimism” best describes the economy and the revenue potential of the District for the first 5 years of the 21<sup>st</sup> Century. The outlook for FY 2000 through FY 2004 is positive with real growth in gross state product and personal income forecasted for the District’s economy. This outlook, nonetheless, is cautious with only modest improvements in any economic category. The District is vulnerable to national economic changes such as rising interest rates that affect consumer spending for travel, automobiles, housing, and other “big ticket” items. Regionally, as the District economy becomes more competitive it will also face stronger challenges from neighboring rivals. Locally, the recovery of the District’s public service delivery is critical to sustaining economic development. These are all considerations that shape the short- and long-term revenue projections. This chapter discusses the District’s revenue sources, its economy, and the outlook for revenue through FY 2004.

The FY 2001 budget, which is balanced with no tax increases envisioned, is the fourth budget prepared following the congressional enactment of the District of Columbia Revitalization Act of 1997. This legislation directed the federal government to assume responsibility for several major items previously included in the District’s budget (principally past pension liabilities, courts and corrections, and additional Medicaid funding) in return for termination of the annual federal payment which had supplemented local revenue for over a century.

Total local-source general fund revenue for FY 2001 is estimated to be \$3,195,979,000 while local source revenue for FY 2000 is now expected to be \$3,211,752,000. Local-source, general fund revenue consists of local taxes, user fees, the lottery and federal payments for scholarship and adoption programs. They do not include grant revenue or revenue earmarked for specific uses, which are accounted for in special funds. The 0.05 percent reduction in estimated revenue is primarily the result of the tax rate reductions contained in the Tax Parity Act of 1999. These revenue estimates mirror the cautious optimism theme about the economy of the District.

### General Fund Allocable Revenue

(In millions)

|        | <b>Actual<br/>FY 1998</b> | <b>Actual<br/>(preliminary)<br/>FY 1999</b> | <b>Estimate<br/>FY 2000</b> | <b>Estimate<br/>FY 2001</b> |
|--------|---------------------------|---------------------------------------------|-----------------------------|-----------------------------|
|        | \$3,246                   | \$3,090                                     | \$3,212                     | \$3,196                     |
| Change | \$0                       | (\$156)                                     | \$122                       | (\$16)                      |

## THE ECONOMY OF THE DISTRICT IN THE LAST 10 YEARS

The District's economy faltered in the last decade, with plummeting population and employment, vacant office space and housing, declining property values, and generally a loss of hope in its economic fortunes. A booming national economy brought opportunity to the District and the nation. At the same time, new leadership, approximately 2 years ago, rekindled faith in the District as a place to live, to work, and to earn a positive return on investment. Accordingly, the District is beginning to recover. So far, the recovery is small and fragile, and its benefits are not evenly distributed across the District. The areas of strength in the economy are only weakly connected to the District's tax base, implying that even with economic growth the District may have trouble meeting its revenue needs over the long-term.

### Facts

- The number of people living in the District continues to decline. Between 1989 and 1999, the District's population fell by 17 percent from 623,700 to 519,000 residents.<sup>1</sup> During the same period, the population of the Washington metropolitan area grew by 13 percent.
- The District continues to lose its middle class. The decline in the number of residents was not distributed evenly across income groups. District residency declined most rapidly in the two-earner married couple group; those remaining in the District have comparatively higher or lower incomes. The rate of decline is least for the head of household group – generally described as the “working poor” – and their incomes did not keep pace with inflation.
- More District residents now have jobs. From 1997 to 1999 the number of working residents increased by about 12,000 persons; however between 1989 and 1997 the number of employed District residents fell by 21 percent.
- The number of jobs located in the District fell 9 percent between 1989 and 1998. The District experienced this decline while the economy of the Washington metropolitan area grew, suggesting that the availability of economic opportunities in the region is not a fundamental problem. The decline is less harsh than the fall in population suggesting that changes affecting businesses were less severe than those affecting residents. During 1999, there was a small increase in the number of jobs in the District.
- Real personal income per capita and per household in the District rose in the decade, by 29 percent on a per capita basis and by 21 percent on a per household basis. Those individuals and households with higher incomes are generally better off than 10 years ago thus, inflating the overall averages. Lower income households, however, may have lost purchasing power.
- The economic base of the District is changing. The decisions to downsize employment in both the federal and District government had a more negative impact on the District than other jurisdictions. In spite of these decisions, the District's economy has shown resilience, especially in service-based sectors.

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<sup>1</sup> The change in population is dominated by a 47 percent and 46,700 drop in the number of 16 to 24 year olds and, secondarily, by the 24 percent and 31,000 decline in those aged 25 to 34. Other age groups are smaller by 1999, but the rate of decline is not nearly as dramatic.

## The Changing Economic Base

Four different stages characterize activity in the District economy from 1988 to 1999. The first stage of continued economic growth occurred from 1988 to 1990. This growth was followed, in 1990 to 1994, by a recession concentrated in the traditional private sectors of the economy. Downsizing of the federal government and then the District government aggravated economic stress beginning in 1994. Since 1997 however, the District has shared in the nation's economic boom.

### Employment Change by Major Sector in the District, 1988-99

|                                 | <b>Overall Growth<br/>1988-90</b> | <b>Recession<br/>1990-94</b> | <b>Government<br/>Decline 1994-98</b> | <b>National Boom<br/>1997-1999</b> |
|---------------------------------|-----------------------------------|------------------------------|---------------------------------------|------------------------------------|
| <b>Federal &amp; Local</b>      | 0.4%                              | -2.4%                        | -16.1%                                | -3.3%                              |
| <b>Traditional<sup>2</sup></b>  | -2.9%                             | -17.7%                       | -10.2%                                | -1.6%                              |
| <b>Services<sup>3</sup></b>     | 5.7%                              | 0.4%                         | 3.6%                                  | +2.9%                              |
| Health & Legal Services         | Growth                            | Decline                      | Rebound                               | Growth                             |
| Business & Technical Services   | Growth                            | Flat                         | Substantial Growth                    | Growth                             |
| Education & Membership Services | Growth                            | Growth                       | Decline                               | Rebound                            |
| Hotel & Hospitality             | Growth                            | Decline                      | Decline                               | Decline                            |
| <b>All D.C.<br/>employment</b>  | 1.9%                              | -4.0%                        | -6.6%                                 | -0.9%                              |

The composition of employment yields some resistance to economic decline. The District's economy is substantially a function of government activity and across the period public sector employment fell by 18 percent. Yet, overall employment dropped at only half that rate.

Private sector jobs declined by 1 percent. Within this number, service jobs increased by 15 percent while non-service employment dropped by 26 percent. Employment opportunities in the District shifted from printing, trade, finance and real estate, and other traditional employment opportunities and toward business and professional services. By the end of the period, more people were employed in service work in the District than in the public sector.

## The Position of the District Within the Economy of the Metropolitan Area

The District remains a substantial component of the Washington metropolitan area economy, primarily because the service sector "held on" during the downsizing and migration of government employment in recent years. The per capita income of the District residents continues to be approximately 5 percent higher than in the metropolitan area and generally jobs in the District pay higher wages than the average for the region. Today, the District is the site of employment for 24 percent of the region's workers.

<sup>2</sup> For the District, primarily Construction, Transportation, Public Utilities, Communications, Wholesale & Retail Trade (except restaurants), Real Estate, Finance, Printing and Publishing.

<sup>3</sup> Includes restaurants.

Yet, the strength of the District in the region eroded in the last decade with economic growth focused on the suburbs. As alluded to previously, the District's population and employment shrank while surrounding jurisdictions boomed. In 1989, for example, the District had 29 percent of all the jobs – 5 percent more than today. District employment declined by 9 percent in the period; regional employment rose by 12 percent. The District lost employment share to suburban jurisdictions in all sectors. Within the region, public sector employment continues to be the District's greatest comparative strength; wholesale and retail trade, construction, and manufacturing continue to be the greatest weaknesses.

Recent growth in professional and other services is not yet sufficient to anchor the District's competitive position in the metropolitan area. In 1994 through 1999, service employment in the Washington metropolitan area grew 23.4 percent, slightly more than the 22.4 percent in the nation, and almost 4 times faster than the 6.2 percent growth in the District. In other private industries, the District fared considerably worse, with a 9.9 percent decline in 1994 through 1999 compared to 9.0 percent growth in the region and 9.8 percent in the nation. Not surprisingly, the District's loss of federal government jobs is a painful 14.3 percent. The loss in the metropolitan area is also large at 11.6 percent and for the nation these jobs dropped 8.4 percent.

### **Implications for Economic Development**

The mystery of how to encourage economic growth and development in the District is difficult to resolve for at least two basic reasons. The first is that what is meant by “economic development” is often not identified – development of what and for whom? The second is failure to understand the barriers to economic development in any particular set of circumstances – often a substantial infusion of funds to achieve a development goal does not generate the desired result.

Development can mean many things. First, if workers can increase production at the same cost, then productivity is increased and should be accompanied by higher wages. Second, if the business owner finds a successful new product or business organization, then types of economic activity expand. Third, economic development happens when more workers are able to work. Fourth, economic development occurs when lower-income households have both increased opportunities and higher earnings. A fifth meaning is that workers and non-workers have better community life, with housing, health care, education, nutrition, safety, justice, environmental quality, and other circumstances that make life satisfactory separate from those items purchased directly with wages, profits, and other income.

**Increased productivity** – Average per capita income in the District has been comparable to that in the region. This could imply that District residents work in jobs where efficiency growth maintains pace with the regional average.

Income distribution in the District is less equitable now than in 1989, suggesting that a portion of the population is receiving substantially more income now than in previous years. For others, the increase is less substantial and in some instances income is less than in prior years when measured in purchasing power. The “average,” therefore, is misleading -- productivity and income rewards are unevenly spread over the resident population. In a sense, economic development only occurred for a small and shrinking base; for others, the economic development either did not occur or was barely detectable.

**Broadening the base of economic activity** – The types of economic activity in the District are changing, with less production in the traditional and public sectors and more in the service sector. In the past two years, the traditional and public sectors in the District have contracted almost as quickly as the new service economy has expanded.

**Adding to the Base of Employment and Increasing Opportunity** – While the job market has receded over the past 10 years, the District is better able to provide jobs than it is to provide housing. The District's total employment declined while employment in the surrounding jurisdictions increased. Expanding employment opportunities is an obvious target for economic development.

Efforts are also needed to improve resident employment, that is residents who both live and work in the District. Only one-third of the income earned in the District is earned by a District resident.

In order to improve this statistic, the quality of community life must also improve.

**Better Community Life** – The decline in quality of life and public services in the District is extensively documented. The working poor are a substantial and comparatively stable group and comprise more than 20 percent of all District income taxpayers. The monetary wellbeing of families in this category has worsened over the past 10-year period, and the public services available to them have deteriorated.

## POTENTIAL TO GENERATE REVENUE TO SUPPORT SERVICE DELIVERY

With a smaller number of taxpayers supporting a comparatively larger number of public needs, the economic future hinges in part on the ability to generate tax revenue for the District. The District's potential here is unusually narrow. The tax base is limited by extensive tax exempt property and tax exempt entities; further, the District is not allowed to tax incomes earned here by non-residents. The District has a very constrained tax base compared to the State of Maryland, the Commonwealth of Virginia and the United States as a whole.

### Elements of the District's Tax Base Compared to Maryland, Virginia, and the U.S., 1998

|                                                                                                                                                            | <b>D.C.</b> | <b>MD</b> | <b>VA</b> | <b>US total</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|-----------|-----------------|
| <b>Taxable Income as percent of State Product</b>                                                                                                          | 36%         | 96%       | 84%       | 84%             |
| <b>Employment Income of Residents as percent of Employment Income Earned in Jurisdiction</b>                                                               | 35%         | 117%      | 105%      | 100%            |
| <b>Retail sales as percent of:</b>                                                                                                                         |             |           |           |                 |
| <b>Gross State Product</b>                                                                                                                                 | 7%          | 31%       | 33%       | 31%             |
| <b>Personal Income</b>                                                                                                                                     | 19%         | 33%       | 39%       | 37%             |
| <b>Wage &amp; Salary Employment in Sectors NOT subject to full taxation in D.C.* :</b>                                                                     |             |           |           |                 |
| <b>Percent of total employment</b>                                                                                                                         | 59%         | 33%       | 30%       | 29%             |
| <b>Percent of private employment</b>                                                                                                                       | 35%         | 17%       | 14%       | 16%             |
| *Employment in hospitals, nursing & personal care facilities, education and social services, non-profit organizations, federal, state and local government |             |           |           |                 |

Can economic growth and development in the District lessen the effects of the constraints on the tax base? The answer is that this is not going to be easy. One reason lies in the open nature of the District's economy. Much of the benefit of economic development in the District accrues to those outside the District, because it takes only a subway stop for secondary benefits to be disbursed elsewhere. Examples of total earnings throughout the District, Maryland or Virginia economy from \$1 of new demand in those same jurisdictions are shown below.<sup>4</sup> The example for hotels indicates that an additional dollar spent on hotel occupancy in the District generates total earnings in the District of 14 cents. If the additional dollar were spent in the State of Maryland instead, their total earnings would be 61 cents.

<sup>4</sup> These examples draw on 1989 data and are developed by the U.S. Bureau of Economic Analysis.

| <b>\$1 New Demand in:</b> |                                                |           |           |
|---------------------------|------------------------------------------------|-----------|-----------|
|                           | <b>D.C.</b>                                    | <b>MD</b> | <b>VA</b> |
| <b>For Products of:</b>   | <b>Brings total earnings to same state of:</b> |           |           |
| New Construction          | \$0.16                                         | \$0.69    | \$0.73    |
| Utility Services          | \$0.05                                         | \$0.50    | \$0.52    |
| Retail Trade              | \$0.22                                         | \$0.82    | \$0.82    |
| Hotels                    | \$0.14                                         | \$0.61    | \$0.61    |
| Business Services         | \$0.26                                         | \$0.88    | \$0.88    |
| Health Services           | \$0.25                                         | \$0.94    | \$0.94    |

A second reason why economic growth may not solve the tax revenue problem becomes clear by referring back to the type of growth occurring in the District's economy. The growth areas are in services. Certain services are strong revenue generators but others are not, as illustrated by the chart below. Business taxes (franchise, personal property, sales tax remitted, arena fee, and withholding remitted) per employee are weak in professional services. This is particularly true in businesses with partners who are not the District residents. Nonresident income is not subject to taxation in the District.

These values do not imply a fixed relationship that would for example link a new employee in a the District hotel to \$6,903 additional in the tax coffers. However, they do convey the relative power of growth in different sectors. As the economy shifts from traditional to new service areas, the District will have a difficult time building a more secure tax base.

## Direct & Indirect District Tax Revenue by Industry Sector, 1997

Revenue is reported as average per job in the sector.

| Direct and Indirect Revenue, reported as \$ per job |         |
|-----------------------------------------------------|---------|
| <b>PROFESSIONAL SERVICES</b>                        |         |
| Medical                                             | \$ 532  |
| Membership organizations                            | \$ 627  |
| Educational organizations                           | \$1,233 |
| Legal                                               | \$1,699 |
| Social services                                     | \$2,096 |
| Computer services                                   | \$2,215 |
|                                                     |         |

|                                              |         |
|----------------------------------------------|---------|
| <b>OTHER SECTORS</b>                         |         |
| Business and other services                  | \$3,359 |
| Eating & drinking Establishments             | \$4,406 |
| Real Estate                                  | \$5,691 |
| Hotels                                       | \$6,903 |
| Retail other than Eating & Drinking          | \$9,580 |
| Wholesale Trade*                             | \$6,312 |
| Transportation, Communication & Utilities ** | \$8,446 |

\* Does not include special sales and excise taxes.

\*\* Does not include gross receipts tax on utility and toll telecommunications services.

## THE ECONOMIC OUTLOOK

As previously stated, the District's economy is changing. In the last decade, the District has lost jobs, residents, and employment. While employment in the public and traditional sectors declined, new jobs were created in services, making this a bright spot for the District. Another bright spot is the recent increase in resident employment and a small, but meaningful, rebound of employment in the District. Enthusiasm for an economic renaissance must be tempered because the District's economy has not performed in tandem with the regional economy. The former has waned while the latter has soared. Current increases, while encouraging, are not proof of renewed competitiveness.

Neither economic growth or tax policy affects all sectors equally. If not guided by effective policies, development may not produce the tax revenue needed to support adequate, basic public services. The history of the last 10 years suggests that without adequate services, the economy will stagnate. The District will have to plan concurrently for development and service improvements.

## Short Term (Fiscal Years 2000 through 2001)

The national forecast is for positive real growth in GDP but lower than the average growth for 1998 and 1999. At the beginning of the period, unemployment and inflation are quite low,<sup>5</sup> with interest rates rising slightly.

The outlook for the Washington Metropolitan Regional Economy is favorable and consistent with national trends. In December 1999, Stephen S. Fuller, a George Mason University economist, observed that calendar year 1999 ended with the Washington Coincident Index<sup>6</sup> and the Leading Index<sup>7</sup> both registering positive performances for the 4<sup>th</sup> quarter. However, the region's current rate of growth no longer exceeds its rate of a year ago and may be poised to slowly change direction in the coming months. Standard and Poor's DRI anticipates that growth in the Washington Metropolitan Region will change with the national economy.

Against the backdrop of a strong national and regional economy, the District of Columbia economy is forecast to show steady growth in FY 2000 and FY 2001, with increases in jobs and in employment of the District residents. Inflation-adjusted gross state product (GSP) and personal income are forecast to increase at average annual rates of 1.0 percent and 2.6 percent respectively. Activities currently underway that will boost the economy include new retail and restaurant development associated with the MCI Center, the transfer of jobs to the D. C.'s Navy Yard and construction of the new convention center.

## Long Term (Fiscal Years 2002-2004)

In looking further ahead to FY 2002 through FY 2004, the key economic issues are how much the national economy can continue to expand and the extent to which improving public services will stimulate economic development in the District. Nationally, the Congressional Budget Office (CBO), the Office of Management and Budget (OMB), and the Blue Chip consensus all anticipate moderate growth from 2002 to 2004. DRI also forecasts growth in the Washington metropolitan region to continue at approximately the same rate of the nation as whole, although factors such as traffic congestion and the shortage of skilled labor for technology-oriented industries could restrain this growth.

Led by the service sector, jobs in the District are assumed to increase by 5,000 positions during the FY 2002 to FY 2004 period; resident employment is expected to increase by 2,000 and inflation-adjusted gross state product and personal income are expected to increase at average annual rates of 0.6 percent and 1.7 percent respectively. Growth in retail sales and housing starts are also expected and an end to the decline in the District population is anticipated. In the hospitality sector of the economy, sales are expected to rise during the 2001 Inauguration and again when the new convention center opens in 2003.

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<sup>5</sup> The Congressional Budget Office (CBO), the Office of Management and Budget (OMB) and the consensus Blue Chip forecast.

<sup>6</sup> The Washington Coincident Index is derived from changes in wage and salary employment, consumer confidence, nondurable goods retail sales, and passenger boardings at National Airport.

<sup>7</sup> The Washington Leading Index is derived from durable goods sales, residential building permits, consumer expectations, initial unemployment claims in the District of Columbia, and the help-wanted index. See Stephen S. Fuller, Economic Forecast, February 6, 1998, Washington Post.com.

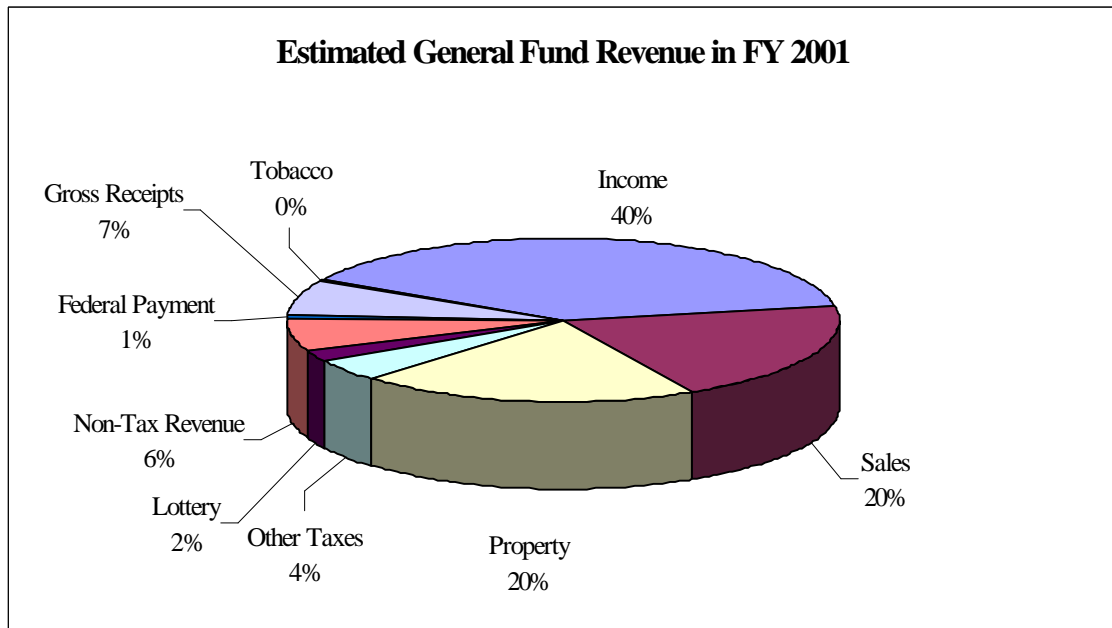


## Revenue in FY 1999

FY 1999 brought overall growth in the tax revenue of 2.4 percent when judged by unaudited data.

- The strongest growth, 12.5 percent, was in the deed taxes that are collected when property is sold and when commercial property is refinanced. Approximately 67 percent of all commercial property value were involved in a commercial deed transaction during the past 4 years, in contrast to about 14 percent in the previous 4-year period.
- Unincorporated business tax revenue grew 18 percent as a result of strength in the commercial property market and the change in funding formula for the convention center.
- Individual income tax revenue increased 10 percent, because the District had roughly 8,700 more employed residents (+3.6 percent) and because income benefits from financial markets continued to be strong.
- The sales tax bases increased more moderately, with 3.5 percent growth in the general sales and use tax and virtually constant bases for the public utilities and toll telecommunications gross receipts taxes after adjusting for rate reductions.
- Real property tax revenue declined over the previous year as a consequence of settling most of the remaining over-hang of court cases and the lag between the year of valuation (CY1996/7) and the collection year (FY1999).

## REVENUE IN FY 2000 THROUGH FY 2004



General fund revenue to finance operating fund expenditures for FY 2001 is estimated to be \$3,195,979, which is \$15.7 million less than the FY 2000 revised estimate of \$3,211,752. In FY 2001, non-general fund estimated revenue are as follows: arena fee collections, \$9 million; convention center revenue, \$54.8 million; and the motor fuel tax for the Highway Trust fund, \$32.2 million. Water and Sewer Authority revenue is estimated at \$248.2 million.

Conflicting considerations enter into the revenue estimate. The District's control period will end during FY 2001 only if the budgets are balanced in FY 1999 and FY 2000 and the financial statements are deemed by independent auditors to fairly represent the District's financial position. Many new service delivery mechanisms of the District have not yet been developed, as such their impact on the economy and on revenue can not be predicted. These factors mitigate in favor of conservative revenue estimates to protect the long-term goal of full home-rule. To the contrary, the District has critical human service, public works, public safety, education, and other needs that press for budgets based on more generous estimates.

| <b>FY 1998 and 1999 (Preliminary) Actual and FY 2000 through 2004 Estimates</b> |                  |                                         |                  |                  |                  |                  |                  |
|---------------------------------------------------------------------------------|------------------|-----------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>(\$ in 000s)</b>                                                             | <b>FY 1998</b>   | <b>FY 1999<br/>(Prelim.)<br/>Actual</b> | <b>FY 2000</b>   | <b>FY 2001</b>   | <b>FY 2002</b>   | <b>FY 2003</b>   | <b>FY 2004</b>   |
| Real Property                                                                   | 616,935          | 597,605                                 | 572,900          | 573,500          | 568,100          | 617,100          | 643,100          |
| Pers. Property                                                                  | 68,475           | 73,928                                  | 70,150           | 61,560           | 63,715           | 66,009           | 68,385           |
| Public Space                                                                    | 10,030           | 8,109                                   | 9,200            | 9,300            | 9,400            | 9,500            | 9,600            |
| <b>Total Property</b>                                                           | <b>695,440</b>   | <b>679,642</b>                          | <b>652,250</b>   | <b>644,360</b>   | <b>641,215</b>   | <b>692,609</b>   | <b>721,085</b>   |
| General Sales                                                                   | 524,878          | 543,258                                 | 566,000          | 588,000          | 614,500          | 646,300          | 679,500          |
| Alcohol                                                                         | 4,702            | 4,821                                   | 4,800            | 4,800            | 4,810            | 4,810            | 4,819            |
| Cigarette                                                                       | 17,592           | 17,107                                  | 16,765           | 16,430           | 16,101           | 15,779           | 15,463           |
| Motor Vehicle                                                                   | 29,838           | 31,332                                  | 30,000           | 30,000           | 30,000           | 30,000           | 30,000           |
| Hotel Occupancy                                                                 | 5,369            | (598)                                   | 0                | 0                | 0                | 0                | 0                |
| <b>Total Sales</b>                                                              | <b>582,379</b>   | <b>595,920</b>                          | <b>617,565</b>   | <b>639,230</b>   | <b>665,411</b>   | <b>696,889</b>   | <b>729,782</b>   |
| Ind. Income                                                                     | 861,505          | 948,100                                 | 998,800          | 1,007,700        | 1,039,895        | 1,067,464        | 1,070,028        |
| Corp. Franchise                                                                 | 170,029          | 164,652                                 | 193,000          | 185,700          | 183,657          | 173,996          | 168,914          |
| U.B. Franchise                                                                  | 45,767           | 53,896                                  | 55,500           | 56,700           | 59,025           | 57,345           | 56,864           |
| <b>Total Income</b>                                                             | <b>1,077,301</b> | <b>1,166,648</b>                        | <b>1,247,300</b> | <b>1,250,100</b> | <b>1,282,577</b> | <b>1,298,805</b> | <b>1,295,806</b> |
| Public Utility                                                                  | 141,069          | 128,472                                 | 131,812          | 134,712          | 138,215          | 142,085          | 146,205          |
| Toll Telecomm.                                                                  | 56,732           | 51,874                                  | 53,223           | 54,394           | 55,808           | 57,370           | 59,034           |
| Insurance                                                                       | 37,096           | 26,944                                  | 28,000           | 29,000           | 30,000           | 31,000           | 32,000           |
| Public Safety                                                                   | 0                | 0                                       | 0                | 0                | 0                | 0                | 0                |
| Health Care                                                                     | 1,740            | 0                                       | 0                | 0                | 0                | 0                | 0                |
| <b>Total Gross Rec.</b>                                                         | <b>236,637</b>   | <b>207,290</b>                          | <b>213,035</b>   | <b>218,106</b>   | <b>224,023</b>   | <b>230,455</b>   | <b>237,239</b>   |
| Estate                                                                          | 32,256           | 27,130                                  | 27,835           | 28,488           | 29,187           | 30,005           | 30,875           |
| Deed Recordation                                                                | 53,863           | 70,398                                  | 67,230           | 65,213           | 65,000           | 65,000           | 65,000           |
| Deed Transfer                                                                   | 42,597           | 47,001                                  | 44,886           | 43,539           | 43,500           | 43,500           | 43,500           |
| Econ. Interests                                                                 | 11,166           | 3,687                                   | 4,000            | 4,000            | 4,000            | 4,000            | 4,000            |
| <b>Total Other</b>                                                              | <b>139,882</b>   | <b>148,216</b>                          | <b>143,951</b>   | <b>141,200</b>   | <b>141,687</b>   | <b>142,505</b>   | <b>143,375</b>   |
| <b>TOTAL TAXES</b>                                                              | <b>2,731,639</b> | <b>2,797,716</b>                        | <b>2,874,101</b> | <b>2,892,996</b> | <b>2,954,913</b> | <b>3,061,263</b> | <b>3,127,287</b> |
| Licenses & Perm.                                                                | 48,123           | 48,080                                  | 40,994           | 37,095           | 41,131           | 38,150           | 42,505           |
| Fines & Forfeits                                                                | 53,177           | 47,710                                  | 62,922           | 62,316           | 63,239           | 64,180           | 65,140           |
| Charges/Services                                                                | 34,752           | 38,026                                  | 37,802           | 40,228           | 40,697           | 41,284           | 41,875           |
| Misc. Revenue                                                                   | 99,136           | 94,824                                  | 87,134           | 66,133           | 66,564           | 66,960           | 67,506           |
| Tobacco Settlement: 30%                                                         |                  |                                         | 16,049           |                  |                  |                  |                  |
| <b>TOTAL NON-TAX</b>                                                            | <b>235,188</b>   | <b>228,640</b>                          | <b>244,901</b>   | <b>205,772</b>   | <b>211,631</b>   | <b>210,574</b>   | <b>217,026</b>   |
| Federal Payment                                                                 |                  |                                         | 23,750           | 28,211           |                  |                  |                  |
| Lottery                                                                         | 81,300           | 64,225                                  | 69,000           | 69,000           | 69,000           | 69,000           | 69,000           |
| <b>GENERAL FUND</b>                                                             | <b>3,246,127</b> | <b>3,090,581</b>                        | <b>3,211,752</b> | <b>3,195,979</b> | <b>3,235,544</b> | <b>3,340,837</b> | <b>3,413,313</b> |
| Tobacco Settlement: 70%<br>FY00, 100% thereafter                                |                  |                                         | 37,899           | 42,036           | 50,473           | 50,940           | 42,523           |
| <b>GENERAL FUND +<br/>Tobacco Settlement</b>                                    | <b>3,246,127</b> | <b>3,090,581</b>                        | <b>3,249,651</b> | <b>3,238,015</b> | <b>3,286,017</b> | <b>3,391,777</b> | <b>3,455,836</b> |

*Note: Estimates and actuals are net of Convention Center, Arena and Highway Trust Fund revenue.*

## Factors Underlying Current Revenue Estimates

As discussed above, the outlook for the forecasting period, FY 2000 through FY 2004, is positive for the District's economy with real growth in gross state product and personal income. This outlook, nonetheless, is cautious with only modest improvements in any economic category. The economic signs are positive for the District with a continued strength in high-end office space and in the demand for

single-family housing. The expected turn-around in population growth could occur even earlier than FY 2004 with only a small shift in net migration. Continued consumer confidence will help sustain sales tax revenue. Even a moderate slow-down in financial market activity would probably not directly affect taxable capital gains for 18 to 24 months.

The District, as with all jurisdictions, is vulnerable to national economic changes such as rising interest rates that affect consumer spending for travel, automobiles, housing, and other “big ticket” items. Regionally, as the District economy becomes more competitive it also will face stronger challenges from neighboring rivals. Locally, the recovery of the District’s public service delivery is critical to sustaining economic development. These are all considerations that shape long-term revenue projections.

Finally, the activity to re-engineer the government of the District is influencing the revenue stream. Specifically, the District has made multiple decisions to reduce tax rates, change tax bases, and improve the tax structure. Between FY 1998 and FY 2001 the estimated impact of these changes is expected to reduce FY 2001 tax revenue by \$175 million. Ongoing implementation of the Tax Parity Act of 1999 will incrementally reduce revenue each year until fully implemented in FY 2004. Policy changes to non-tax local revenue include: 1) dedicating funds to specific uses – such as support for the Public Service Commission to facilitate their self-sufficiency; and 2) implementing new programs such as the right-of-way fee and the red-light camera project. These yield a net reduction in general fund revenue of \$11 million in FY 2001 as compared to the FY 1998 base.

The long-term projections show 1.7 percent growth in general fund revenue in FY 2002, 3.3 percent in FY 2003, and 2.2 percent in FY 2004. These changes, which do not include any Tobacco Settlement funds, are adjusted for all policy decisions including the rolled-in tax law changes under the Tax Parity Act.

The following table sets forth the economic assumptions used in the revenue estimates.

### The Base Forecast of Economic Assumptions Underlying the Forecast

| The District Economy: Key Variables for the Forecast Period:<br>FY 1996 to FY 2004 |                |                |                |                |                |                |                |                |                |
|------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (Fiscal Years)                                                                     | 1996<br>actual | 1997<br>actual | 1998<br>actual | 1999<br>est    | 2000<br>est    | 2001<br>est    | 2002<br>est    | 2003<br>est    | 2004<br>est    |
| <b>Gross State Product (\$ billion)</b>                                            | 50.10<br>2.0%  | 51.84<br>3.5%  | 53.54<br>3.3%  | 55.13<br>3.0%  | 56.94<br>3.3%  | 58.98<br>3.6%  | 61.05<br>3.5%  | 63.23<br>3.6%  | 65.50<br>3.6%  |
| <b>Real Gross State Product (billions of \$92)</b>                                 | 44.13<br>-1.4% | 44.08<br>-0.1% | 44.22<br>0.3%  | 44.49<br>0.6%  | 44.91<br>0.9%  | 45.35<br>1.0%  | 45.65<br>0.7%  | 45.89<br>0.5%  | 46.13<br>0.5%  |
| <b>Personal Income (\$ billion)</b>                                                | 18.28<br>2.5%  | 18.84<br>3.0%  | 19.34<br>2.7%  | 20.15<br>4.2%  | 21.02<br>4.3%  | 21.94<br>4.4%  | 22.84<br>4.1%  | 23.77<br>4.1%  | 24.74<br>4.1%  |
| <b>Real Personal Income (billions of \$92)</b>                                     | 16.80<br>0.7%  | 17.00<br>1.1%  | 17.28<br>1.6%  | 17.76<br>2.8%  | 18.20<br>2.5%  | 18.69<br>2.7%  | 19.05<br>1.9%  | 19.36<br>1.6%  | 19.67<br>1.6%  |
| <b>Per Capita Income (\$)</b>                                                      | 33,766<br>5.0% | 35,456<br>5.0% | 36,911<br>4.1% | 38,832<br>5.2% | 40,798<br>5.1% | 42,847<br>5.0% | 44,707<br>4.3% | 46,502<br>4.0% | 48,323<br>3.9% |
| <b>Real Per Capita Income (\$92)</b>                                               | 31,039<br>2.9% | 31,991<br>3.1% | 32,965<br>3.0% | 34,220<br>3.8% | 35,333<br>3.3% | 36,504<br>3.3% | 37,287<br>2.1% | 37,879<br>1.6% | 38,418<br>1.4% |
| <b>Population ('000)</b>                                                           | 541.5<br>-2.3% | 531.3<br>-2.0% | 524.1<br>-1.1% | 519.0<br>-1.0% | 515.1<br>-0.8% | 512.0<br>-0.6% | 510.9<br>-0.2% | 511.1<br>0.0%  | 512.0<br>0.2%  |
| <b>Households ('000)</b>                                                           | 231.8<br>-1.5% | 228.8<br>-1.3% | 228.0<br>-0.3% | 228.5<br>0.2%  | 229.1<br>0.3%  | 230.0<br>0.4%  | 232.6<br>1.1%  | 234.8<br>0.9%  | 237.9<br>1.3%  |
| <b>Civilian Labor Force ('000)</b>                                                 | 274.4<br>-4.6% | 259.5<br>-5.4% | 266.1<br>2.5%  | 269.9<br>1.4%  | 273.3<br>1.3%  | 274.3<br>0.4%  | 276.0<br>0.6%  | 276.9<br>0.3%  | 278.2<br>0.5%  |
| <b>At-Place Employment ('000)</b>                                                  | 627.5<br>-2.8% | 619.0<br>-1.4% | 615.7<br>-0.5% | 616.3<br>0.1%  | 618.4<br>0.3%  | 621.5<br>0.5%  | 623.2<br>0.3%  | 624.7<br>0.2%  | 626.7<br>0.3%  |
| <b>Resident employment ('000)</b>                                                  | 250.4<br>-4.6% | 239.4<br>-4.4% | 242.2<br>1.2%  | 250.9<br>3.6%  | 257.4<br>2.6%  | 258.6<br>0.5%  | 259.3<br>0.3%  | 259.9<br>0.2%  | 260.7<br>0.3%  |
| <b>Unemployment Rate</b>                                                           | 8.8%           | 7.7%           | 9.0%           | 7.0%           | 5.8%           | 5.7%           | 6.0%           | 6.1%           | 6.3%           |
| <b>Housing Stock Total</b>                                                         | 273.5<br>-0.9% | 271.1<br>-0.9% | 269.4<br>-0.6% | 267.9<br>-0.6% | 265.9<br>-0.7% | 263.5<br>-0.9% | 261.1<br>-0.9% | 258.7<br>-0.9% | 256.4<br>-0.9% |
| <b>Retail Trade Sales (\$ billion)</b>                                             | 3.39<br>-7.3%  | 3.47<br>2.3%   | 3.61<br>4.2%   | 3.79<br>4.9%   | 3.96<br>4.5%   | 4.09<br>3.3%   | 4.22<br>3.2%   | 4.37<br>3.6%   | 4.56<br>4.3%   |
| <b>Retail Trade Sales (\$1992 billion)</b>                                         | 3.27<br>-8.0%  | 3.32<br>1.7%   | 3.44<br>3.5%   | 3.59<br>4.4%   | 3.73<br>3.9%   | 3.83<br>2.7%   | 3.94<br>2.9%   | 4.06<br>3.0%   | 4.21<br>3.7%   |
| <b>Washington Area Consumer Price Change</b>                                       | +2.7%          | +2.4%          | +1.1%          | +2.0%          | +2.6%          | +2.2%          | +2.6%          | +2.8%          | 2.9%           |

Source: OTR based on Standard and Poor's DRI and RFA 11/99 forecasts for the District of Columbia..

Against a background of low inflation and continued growth in the national and Metropolitan Washington regional economies, the FY 2001 Budget and Financial Plan assumes that the District's economy will continue to grow throughout the period. Increases of several thousand jobs are anticipated each year through FY 2004, and the rate of nominal personal income growth in the District is expected to be 80 percent to 90 percent of the national growth rate.

The U.S. and the Washington metropolitan area economies are expected to grow as follows:

- Continued growth in real GDP at the national level, but at slower rates in FY 2001 through FY 2004 than for the FY 1999 and FY 2000.
- Inflation below 3 percent.
- For the Washington metropolitan area, growth rates in personal income and regional product slightly above those in the U.S. economy.

For the District, the expectation is:

- Growth in nominal personal income in of 4.3 percent in FY 2000 and 4.4 percent in FY 2001. These rates are 84 percent and 94 percent respectively of the percentage increases in national GDP forecast by CBO.
- Growth in nominal Gross State Product of 3.3 percent and 3.6 percent, respectively, in FY 2000 and FY 2001.
- Growth in jobs in the District of 2,000 to 3,000 in FY 2000, FY 2001, and in each of the years following. Gains in services and retail more than offset anticipated declines in the public and other private sectors.
- An increase of 8,000 in resident employment during FY 2000 and FY 2001, with an unemployment rate below 6 percent in both years.
- Growth in nominal income per capita of about 5 percent per year in FY 2000 and FY 2001.
- Population decline ceases during the period with a population of approximately 512,000 in FY 2003 and then increasing slightly in FY 2004.

In summary, the forecast for FY 2001 assumes that the District economy and tax system will improve moderately, with a small measure of real economic growth and growth in tax revenue below the rate of inflation (reflecting already enacted reductions in tax rates).

## Forecasting Risks

As with any prediction of the future, there will be a margin of error; our goal is to minimize the extent of the error. Small risks include deviations from the forecast rate of increase in GSP and Personal Income – a 1 percent error in each would adjust the estimates by approximately \$20 million from income and sales taxes. A sustained recession or robust growth would have a major impact on these estimates. A recession that begins immediately and deepens for several months could reduce FY 2001 revenue by a substantial amount; however, no recession is forecast at this time. Alternatively, if the local economy and income grow 2 percent more than forecast and financial markets continue strong growth, revenue could be above the estimates. Finally, the level of voluntary compliance and the possibility of uncollectible receivables both have significant potential to alter revenue either favorably or adversely.

## Restrictions Imposed by the Budget and Revenue Estimating Cycle

The revenue estimating cycle of the District is both unique and cumbersome. Unlike other jurisdictions, each budget must be approved by the U.S. Congress, requiring a long lead-time between budget preparation and execution, regardless of whether the budget is an original or a proposed supplement to an already adopted budget. During a budget year, if revenue is stronger than expected the District can only adjust expenditures upward by requesting approval by the U.S. Congress, a lengthy process. This can sometimes be combined with the budget submission for the upcoming year – although many months of delay in approval can limit the utility of a requested supplement. Otherwise, the District must contend with a revenue estimate that is completed at least 18 months before the actual revenue is received.

As a consequence, the District faces more uncertainty about revenue and expenditures than other cities and states. The dynamics effect the population, the economy, and the policy environment can change significantly in 18 months. Other cities and states have mechanisms for adjusting to these changes. The District would benefit by having an expeditious process for increasing expenditures when revenue is greater than initially forecasted.

Other taxing jurisdictions exercise their option for interim adjustments. The State of Maryland, for example, makes an initial revenue estimate six months before the start of the fiscal year, a revision three months later, and a mid-course correction five months into the fiscal year so that expenditures can be changed if appropriate.

## Specific Revenue Sources

The following sections discuss specific taxes and other revenue sources and the estimates for revenue through fiscal year 2004.

### PROPERTY TAXES

## Real Property

The District's real property tax is similar to that imposed by local jurisdictions throughout the United States. Real property is assessed at 100 percent of its market value and taxpayers are billed twice a year. In FY 1999, 19.5 percent of general fund revenue came from real property taxes. In FY 2000, the percentage is expected to drop to 17.9 percent of general fund revenue. The percentage of real property tax revenue appropriated to the general fund will remain relatively constant at 17.9 percent in FY 2001. The following table details total property tax revenue for fiscal years 1998 through 2004.

| <b>Property Tax Revenue for Fiscal Years 1999 Through 2004</b> |                |                |                |                |                |                |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Actual and Projected</b>                                    |                |                |                |                |                |                |
| <b>(\$Thousands)</b>                                           | <b>FY 1999</b> | <b>FY 2000</b> | <b>FY 2001</b> | <b>FY 2002</b> | <b>FY 2003</b> | <b>FY 2004</b> |
| Real Property                                                  | 597,605        | 572,900        | 573,500        | 568,100        | 617,100        | 643,100        |
| Personal Property                                              | 73,928         | 70,150         | 61,560         | 63,715         | 66,009         | 68,385         |
| Public Space                                                   | 8,109          | 9,200          | 9,300          | 9,400          | 9,500          | 9,600          |
| <b>Total:</b>                                                  | <b>679,642</b> | <b>652,250</b> | <b>644,360</b> | <b>641,215</b> | <b>692,609</b> | <b>721,085</b> |

There are two major differences in the District's real property tax and the real estate taxes imposed by other local jurisdictions. The first difference is that in the District, properties are divided into separate tax

classes. The District currently has five real property tax classifications, each of which is taxed at a different rate depending on the use of the real property. The following table shows those five real property tax classes, and the tax rate associated with each:

| <b>Real Property Tax Class</b>  | <b>Tax Rate</b>                                                                                      |
|---------------------------------|------------------------------------------------------------------------------------------------------|
| <b>Class 1 (owner-occupied)</b> | \$0.96 per \$100 value<br>\$0.81 per \$100 value (effective rate after \$30,000 homestead exemption) |
| <b>Class 2 (multi-family)</b>   | \$1.34 per \$100 value                                                                               |
| <b>Class 3 (hotel,motel)</b>    | \$1.85 per \$100 value                                                                               |
| <b>Class 4 (commercial)</b>     | \$2.05 per \$100 value                                                                               |
| <b>Class 5 (vacant)</b>         | \$2.05 per \$100 value                                                                               |

Class 1 taxpayers occupying their own homes are entitled to a \$30,000 reduction in the assessed value of their property. This reduction is applied prior to calculating real property tax liability at the \$0.96 rate. Senior citizens who occupy their own homes and have a family income of less than \$100,000 is allowed a 50 percent reduction in their real property tax after the application of the homestead exemption.

The second major difference is that a relatively large proportion of real property in the District is exempted from paying the District's real property tax. The District is able to levy its real property tax on approximately 58 percent of the total assessed value real property in the District. The remaining 42 percent of the District's real property tax base are exempt from the real property tax. Tax exempt properties include federally owned property, District government owned property, property owned by non-profit organizations, embassy property, cemeteries, educational facilities, and others. Discussion continues in the District and other jurisdictions nationwide concerning taxation of property owned by non-profits focusing on finding ways, in which exempt organizations can pay a "fair share" for their use of governmental resources, yet retain their special non-profit character.

| <b>Percentage of Real Property Tax Base by Tax Status</b> |                           |
|-----------------------------------------------------------|---------------------------|
| <b>Tax Status</b>                                         | <b>Percentage of Base</b> |
| <b>Taxable</b>                                            | 58%                       |
| <b>U.S. Exempt</b>                                        | 26%                       |
| <b>D.C. Exempt</b>                                        | 4%                        |
| <b>Non U.S./D.C. Exempt</b>                               | 12%                       |
| <b>Total</b>                                              | 100%                      |

**The Tax Parity Act and the Real Property Tax.** The Tax Parity Act of 1999 moved toward minimizing the differences between the District's real property tax and real estate taxes imposed by other jurisdictions. The Act reduces the number of real property tax classes from five to two by FY 2002. In FY 2002, Class 1 shall consist of all residential property. Class 1 properties will be taxed at the current Class 1 rate of \$.96 per \$100 of assessed value. The homestead exemption and senior citizen reductions



currently available to District taxpayers will remain unchanged. Class 2 property will consist of all property that is not residential (current classes 3, 4 and 5). Beginning in FY 2002, all class 2 property will be taxed at a rate of \$1.85 per \$100 of assessed value. It is estimated that provisions of the Tax Parity Act will lead to an estimated \$92.8 million reduction in real property tax collections by FY 2002 (as compared to what would have been collected under FY 1999 rates). These reductions, however, will be partially offset by a rebounding real property tax base, and by real property tax revenue collected from newly constructed buildings.

The first phase-in of the new rates adopted under the Tax Parity Act became effective October 1, 1999. The following table highlights changes in real property tax rates by tax class for fiscal years FY 1999 through FY 2002.

| Real Property Tax Rate Changes Under Tax Parity Act of 1999 |         |        |        |        |        |
|-------------------------------------------------------------|---------|--------|--------|--------|--------|
|                                                             |         | FY1999 | FY2000 | FY2001 | FY2002 |
| New Class One:<br>Effective 10/1/02                         | Class 1 | \$0.96 | \$0.96 | \$0.96 | \$0.96 |
|                                                             | Class 2 | \$1.54 | \$1.34 | \$1.15 | \$0.96 |
| New Class Two:<br>Effective 10/1/02                         | Class 3 | \$1.85 | \$1.85 | \$1.85 | \$1.85 |
|                                                             | Class 4 | \$2.15 | \$2.05 | \$1.95 | \$1.85 |
|                                                             | Class 5 | \$5.00 | \$2.05 | \$1.95 | \$1.85 |

Each year the District dedicates a percentage of real property tax collections to pay the principal and interest on its General Obligation Bonds. For FY 2000, that percentage is 70 percent. The dedication of real property tax revenue to General Obligation Bonds may be increased by the Tax Parity Act rate reductions.

**Triennial Assessment and the Property Tax Base.** The District operates under a triennial assessment system. Properties in the District are divided into three triennial groups (Tri-Groups) – each containing roughly one-third of all real property in the District. Under the District's triennial system, only one triennial group is reassessed each year. Increases in assessed value are phased-in over a three-year cycle. Reductions in assessed value are realized immediately.

The District is two-thirds of the way through its first triennial cycle. Properties in Tri-Group One were reassessed in 1998 for Tax Year (TY) 1999 billing. Properties in Tri-Group Two were reassessed in 1999 for TY 2000 billing. Properties in Tri-Group Three are currently being reassessed for TY 2001 billing. Of the properties reassessed in Tri-Group One, 11.6 percent experienced no change in their assessed value, 38.9 percent experienced a decrease in their assessed value, and 49.5 percent experienced increases in their assessed value. In Tri-Group Two, 21.9 percent of the reassessed properties had no change in their assessed value, 27 percent of the reassessed properties decreased in value, and 51.5 percent increased in assessed value. The following table details changes in assessed values for Tri-Groups One and Two.

**Value Change by Triennial Group:****Tri-Group One & Tri-Group Two**

|                  | <b>Tri-Group One</b>   | <b>Tri-Group Two</b>   |
|------------------|------------------------|------------------------|
|                  | <b>58,403 Accounts</b> | <b>56,149 Accounts</b> |
| <b>No Change</b> | 11.6%                  | 21.9%                  |
| <b>Decrease</b>  | 38.9%                  | 27.0%                  |
| <b>Increase</b>  | 49.5%                  | 51.5%                  |

\*Tri-Group Three Currently under Reassessment for TY 2001

The District's triennial assessment cycle reduces the annual growth rate of the real property tax base because increases in assessed value are not fully realized at the time of reassessment. The immediate reduction in tax liability for properties that decrease in assessed value further reduces the growth rate of the real property tax base. When combined, these factors reduce the volatility and the growth potential of the real property tax in the future. Estimated real property tax revenue reflects modest growth over the forecast period as a result.

**Actual and Projected****Total Assessed Value for Taxable Properties in the District of Columbia:****TY 1998 – TY 2000**

|                | <b>TY 1998</b> | <b>TY 1999</b> | <b>TY 2000</b> | <b>TY 2001</b> |
|----------------|----------------|----------------|----------------|----------------|
| Assessed Value | 43,187,723     | 42,445,498     | 42,796,464     | 44,105,785     |
| Percent Change |                | -1.75%         | 0.82%          | 2.97%          |

\*TY 2001 Projected Base

There is evidence that the real property tax base is continuing to increase. An increased number of real estate transactions occurred in FY 1999 as reflected by large increases in deed recordation and transfer tax collections. In FY 1999, revenue from Record of Deeds taxes increased by 11 percent over FY 1998 revenue. This growth is due to a number of factors including the fact that there is renewed confidence in the District as the turnaround in its financial position continues. A new Mayor and the promise to provide more efficient municipal services will have a long-term impact upon the District's real estate market. Demand for District property has increased, as the District is perceived as a "city on the move". The District is once again becoming a desirable location to own property.

In addition, there are now federal incentives for the purchase of a first home in the District. These incentives for District home purchases are effective through December 31, 2001 and provide a \$5,000 federal tax credit available for expenses related to the purchase of a first home in the District. The credit can be carried over to a subsequent year if it is not all used in the year of purchase.

The following examples provide a flavor of the recent growth in the Washington real estate market:

- **The New Washington Convention Center.** One of the major factors affecting real estate activity in the downtown area is the construction of a new Washington Convention Center. The new convention center will include 2.3 million square feet, and will have an estimated value of \$500 million. The construction is expected to be complete by March 2003. A number of hotels and other development

projects are planned for the area immediately surrounding the site of the new convention center. At least 3,000 hotel rooms are planned for construction or renovation during the next 3 years.

The Washington Convention Center is not the only large development project planned for the District. Other development projects include a Howard University plan for a 150-block area in LeDroit Park, Edgewood Terrace in Northeast, revitalization at Logan Circle and affordable housing units in Anacostia.

- **Federal Government Relocations.** Another sign of the growing confidence in the District's recovery is the changing trend in federal government relocations. Federal government demand for District office space appears to be increasing, reversing the exodus of earlier years. A major example of this reversal is the completion of the 3.1 million square foot Ronald Reagan Building and International Trade Center on Pennsylvania Avenue which now houses a number of federal agencies such as the Environmental Protection Agency. Other relocations and migrations to the District include the Bureau of Alcohol, Tobacco and Firearms, the Department of Transportation, the Federal Communications Commission, the Department of the Navy and the Secret Service. While these relocations may not substantially increase property tax revenue, they feed the image of a city moving forward.
- **New Construction.** The real property tax revenue forecast includes a small increase in revenue from commercial property, and an increase from multifamily properties, due to new construction. There is a slight increase in hotel property revenue for FY 2003 in anticipation of hotel construction to accommodate visitors to the new convention center. A number of other construction projects are also underway in the District. An estimated 3.6 million square feet of commercial space was under development or renovation in the District at the end of 1999.
- **Tax Increment Finance Program.** The District is currently authorized to issue \$300 million in tax increment finance (TIF) bonds. These bonds provide grants for private development that would not occur but for financial subsidy. TIF bonds are backed solely by incremental growth in real property and sales taxes (not already pledged for General Obligation or Washington Convention Center Authority bonds). The Office of the Chief Financial Officer plans to borrow \$64 million in FY 2000 for a multi-use retail-entertainment-housing development at Gallery Place. The Chief Financial Officer also has pre-certified a luxury hotel project slated to be constructed at the Portals in Southwest. An additional \$35 million may be borrowed for this project in either FY 2000 or FY 2001.
- **Commercial Office Vacancy Rates.** The forecast includes an increase in commercial property revenue as the market responds to the shortage of office space in the Central Business District (CBD). The commercial office vacancy rate in the CBD of the District remained relatively constant at around 5.9 percent in 1999. The current vacancy rate in the District's CBD suggests a tight market for office space. The tight market indicates that the District is becoming a more attractive office location. Examples include the location of Qwest Communications and XM Radio in NoMA (North of Massachusetts Avenue); expanding law firms seeking larger, Class A office spaces within the CBD; and the fact that three Crystal City based government contractors have made plans to relocate their offices to the District. ADI Technology, Anadac and TWD & Associates have leased a combined total of 80,855 square feet of office space in a new eight-story, 282,000 square foot building at 300 M Street SE. In addition, District demand, lagging that of neighboring jurisdictions, has not yet peaked, partially due to decreasing availability of affordable, contiguous space to accommodate moderate to large sized firms outside the District.
- **The July 1999 Tax Sale.** A total of 12,201 real property tax liens having an outstanding amount due of \$47.6 million were identified in May 1999 as having tax year 1998 delinquencies. Taxpayers were sent notices that these properties would be sold at the July 1999 tax sale. Many taxpayers responded

to the notices by paying \$27.7 million in outstanding amounts due. In June 1999, the Real Property Tax Administration advertised the upcoming sale of 7,730 parcels with delinquent balances totaling \$19.9 million. Property owners paid an additional \$5.4 million in delinquent taxes in the period between the June newspaper advertisement and the July tax sale.

Of the 7,730 parcels advertised in June, 5566 actually went to tax sale. Of these parcels 2,941 were sold during the tax sale. Collections on the sale of these parcels equaled \$8.1 million. The remaining 2,625 parcels with an outstanding \$6.3 million due were not sold during the tax sale.

## Personal Property Tax

The personal property tax is imposed on the depreciated value of all tangible personal property used in a trade or business (computers, vehicles, etc.) except for inventories held for sale. Renewed strength in the District's economy has been accompanied by higher investment in personal property used for commercial purposes. Revenue from the personal property tax are expected to fall from \$73.9 million in FY 1999 to \$70.1 million in FY 2000 and \$61.6 million in FY 2001. These reductions are the result of the Tax Parity Act of 1999 which excluded the first \$50,000 in taxable value and accelerated depreciation for computer equipment. Accelerating the depreciation of computer equipment is an action designed to make the District more competitive with surrounding jurisdictions, which allow more rapid depreciation of such equipment.

Additional modeling has been undertaken to improve the personal property tax forecast. Economic analysis suggests that collections from this tax are sensitive to three main factors: the tax rate; the change in the gross state product; and the prime rate. For instance, one economic model indicates that a decrease in the tax rate by 1 percent will increase collections by 3.3 percent. Models also show that as the gross state product increases, collections from this tax increase as well; the increase is almost one-for-one. Finally, the analysis reinforces the intuition that as the prime rate increases, making money more expensive, businesses tend to invest less, meaning that there is less property subject to this tax in the tax base. The models predict, for instance, that a drop in the prime rate from 8.5 percent to 8.0 percent should increase personal property tax collections by about \$1.4 million per year.

## Public Space Rental

There are three categories of public space rentals, each representing a relatively constant proportion of the total levy since tax year (TY) 1994: vaults, sidewalks, and fuel oil tanks. Despite slight annual increases in the number of public space rental accounts, total public space rental levies have declined progressively in recent years. Based on the tax year 2000 bills already distributed, there will be a decrease of 14.5 percent as compared with a 19 percent decline in TY 1999. There are 1300 accounts owing a total of \$10 million for TY 2000, compared with \$11.6 million levied in TY 1999. This TY 2000 decline is largely due to the decreased levy on vaults. Since vaults represent more than 90 percent of the total public space levy for TY 2000, decreases in the adjusted tax rates for vaults and the three-year assessment process have led to a moderate decline in the total public space rental levy. Since public space rental assessments are conducted one year before the taxes are due, the recent buoyancy in the local real property market should be reflected in TY 2001 as a reversal of the progressively downward trend.

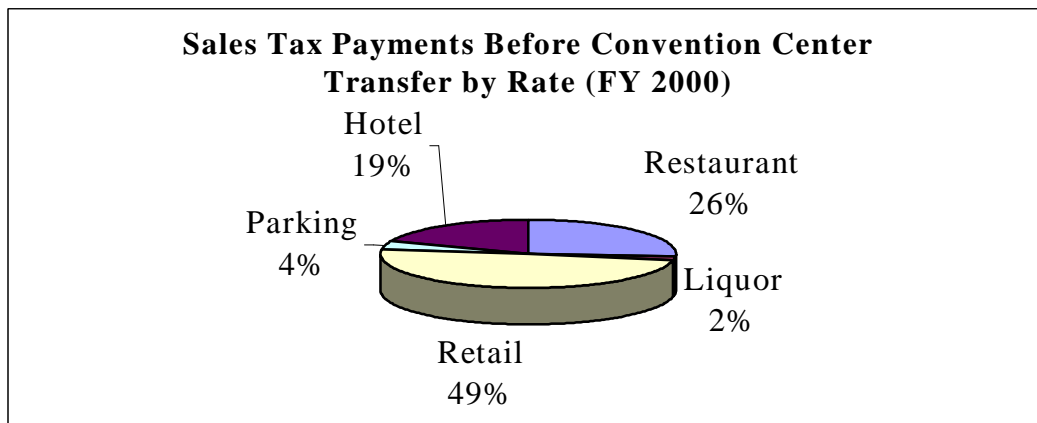
Vaults are underground areas that extend wider than an owner's property to spaces beneath the surface of public real property. Vaults include areas under sidewalks and streets that are used for underground parking lots, storage, and department store basements. Comprising more than 94 percent of the total public space rental levy since FY 1994, the total levy for vaults declined from \$14.4 million in TY 1994 to \$10.1 million in TY 1999. The levy is expected to decrease to \$9.4 million in TY 2000. The public

space rental fee for a vault is determined by multiplying the vault area by two factors. First, there is an adjusted tax rate that is based on the value of nearby land sales. Second, there is a percentage based on the level of the underground vault. For example, the first level of underground parking pays 1.5 percent of the area times the adjusted tax rate; all deeper levels pay 0.375 percent of the area times the adjusted tax rate.

Public space rentals of sidewalks include enclosed cafes, unenclosed cafes, and merchandise display areas such as extensions of used car lots. The public space rental rates are \$10 per square foot of enclosed cafe space, \$5 per square foot of unenclosed cafe space, and, for sidewalk displays of merchandise, the public space rental fee is 7 percent of the total area times the adjusted tax rate determined by the assessor. Comprising more than 5 percent of the total levy since TY 1994, the TY 2000 estimate is approximately \$0.8 million up from \$0.7 million in TY 1999.

Fuel oil tanks are areas used for tanks that hold heating fuel. The public space rental of fuel oil tanks has been 0.02 percent of the total levy since TY 1994. Although the number of fuel tanks is the same for TY 1996 through TY 1998, decreases in vaults and sidewalk rentals have caused fuel tanks to expand to 0.03 percent of the TY 2000 levy. The annual public space rental fee is \$25 per tank. The TY 2000 levy is expected to increase from \$3,300 in TY 1999 for 132 tanks to \$3,325 for 133 tanks.

## Sales and Excise Taxes



### 1. General Sales and Use Tax

In FY 1999 sales and use taxes represented the third largest source of the District revenue, comprising 18.4 percent of total local-source revenue. General sales and use taxes are imposed on the sale or consumption of tangible personal property or services within a taxing jurisdiction. The sales and use tax applies to businesses on their purchases of supplies and equipment as well as to a wide range of ordinary consumer purchases. It is estimated in other jurisdictions that 40 percent or more of the tax is levied on purchases by businesses for their own use.

Revenue from the District's sales and use tax is collected using a five-tier rate structure. Sales of tangible personal property and certain specified services are taxed at 5.75 percent. Sales of alcoholic beverages for consumption outside the premises are taxed at 8 percent. Sales of food and drink for immediate consumption, the rental or leasing of motor vehicles and sales of prepaid phone cards are taxed at 10

percent (1 percent supports the Convention Center Authority). Parking and storing of vehicles are taxed at 12 percent. Transient accommodations are taxed at 14.5 percent (4.45 percent supports the Convention Center Authority). The multiplicity of rates, with special exemptions provided at each rate, complicates the administration of the tax for the District's Office of Tax and Revenue and for businesses, such as hotels and food stores, where transactions may involve several tax categories.

| General Sales & Use Tax Rates                                   |                |
|-----------------------------------------------------------------|----------------|
| Item                                                            | Sales Tax Rate |
| <b>General Retail Sales</b>                                     | 5.75%          |
| <b>Alcohol (off-premise consumption)</b>                        | 8.00           |
| <b>Restaurant Meals, Auto Rentals &amp; Prepaid Phone Cards</b> | 10.00*         |
| <b>Commercial Parking</b>                                       | 12.00          |
| <b>Hotel Room (effective 10/1/98)</b>                           | 14.50**        |

\*1 percent earmarked for the convention center

\*\*4.45 percent earmarked for the convention center

Sales and use taxes increased moderately between FY 1989 and FY 1999, although they have not in general kept pace with inflation. Taxable sales fell in relation to gross state product over the 1989 through 1996 period.<sup>8</sup> The erosion of the tax base is associated in part with increases in consumption of nontaxable professional services, i.e., legal, accounting and medical services. Other factors include shifts of purchases outside the District, increases in exemptions, and difficulties in the assessment and collection of use taxes.<sup>9</sup>

The revised forecast for the general sales and use tax increases estimated FY 2000 collections to be \$566.0 million, net of revenue dedicated to the Convention Center Authority. Moderate growth in sales tax collections is anticipated in FY 2001, a reflection of improving conditions in tourism-related business dampened by two factors: (a) the growth in Internet sales is estimated to reduce FY 2000 sales tax revenue by \$0.75 million, rising to \$1.6 million by FY 2001, (b) new federal government procedures for paying travel expenses will reduce tax collections by an estimated \$7.0 million annually.

In a study prepared for the District Tax Revision Commission, William F. Fox, professor of economics at the University of Tennessee, found that the District's sales tax base is a smaller share of personal income than in the average state, and that the relative decline of the District's tax base in the 1990s has been "remarkable". He observed: "Perhaps the most significant finding in this report is that sales taxation has been a less productive source for (the District) in the 1990s than in the previous decade."<sup>10</sup>

Fox also observed that it is "unclear" whether sales tax revenue growth will return to the pattern of the 1980s, or continue the slow growth pattern of the 1990s. While there are no obvious quick fixes to the problems of the 1990s that will cause revenue performance to return to the pattern of the 1980s, Fox said

<sup>8</sup> For a comprehensive analysis of the sales and use tax see William F. Fox, *Sales Taxes in the District of Columbia: Current Conditions and Policy Options*, Prepared for the District of Columbia Tax Revision Commission (September 1997): 18-22. The paper shows that in 1989 taxable sales in the District represented 43 percent of personal income. By 1996 this figure declined to 34.6 percent; they also fell in relation to the District gross state product over the period.

<sup>9</sup> Estimates based on audit results show that as much as two-thirds of the District's compensating use tax was probably under-reported during the period 1982 to 1996. Of approximately \$624 million of audit-adjusted taxable use for the period 1982 to 1996, only \$256 million was voluntarily reported, a gross compliance rate of 41 percent.

<sup>10</sup> William F. Fox, "Sales Taxes in the District of Columbia: Current Conditions and Policy Options," paper prepared for the District of Columbia Tax Revision Commission, September 10, 1997. The report is available on the Commission's web site at [www.dctrc.org](http://www.dctrc.org), page 1.

“better administration is a key to improved revenue growth.”<sup>11</sup> The Office of Tax and Revenue has been striving to improve the administration of this tax, particularly in the area of collections.

General retail sales comprise two-thirds of the tax base and account for about half of the revenue. The remaining half of the tax is paid by those categories, such as hotels and restaurants, where the tax rates are higher. In 1999, the base of the sales and use tax was \$7.7 billion. Of the total collections of \$593.5 million, \$540.0 million was deposited into the general fund and \$49.5 million into the convention center fund.

| Estimated Sales Tax Base and Payments by Tax Type in FY 1999 |         |       |         |       |       |         |
|--------------------------------------------------------------|---------|-------|---------|-------|-------|---------|
|                                                              |         |       |         |       |       |         |
| Base                                                         | 5,001.4 | 164.3 | 1,557.4 | 192.6 | 786.0 | 7,701.7 |
| Rate                                                         | 5.75%   | 8%    | 10%     | 12%   | 14.5% |         |
| Collections                                                  | 287.6   | 13.1  | 155.7   | 23.1  | 114.0 | 593.5   |
| Convention Center Transfer                                   |         |       | 15.6    |       | 33.9  | 49.5    |
| General Fund                                                 | 287.6   | 13.1  | 140.1   | 23.1  | 80.1  | 540.0   |

Note: Preliminary Cash Collections, includes use tax. Source: OTR

In recent years, there have been noticeable changes in the major components of the tax base of the sales and use taxes. In the period from FY 1995 to FY 1999, the tax base for all components, except off-sale liquor, grew at rates above inflation. Hotel and restaurant sales over the period reflect increased hotel occupancy rates and retail activity around the MCI Center. General rate sales growth appears to reflect increased business activity in the District.

|          | Sales tax rate category |              |                   |                |              |
|----------|-------------------------|--------------|-------------------|----------------|--------------|
|          | General<br>5.75%        | Liquor<br>8% | Restaurant<br>10% | Parking<br>12% | Hotel<br>13% |
| 1995     | \$3,845.0               | \$153.2      | \$1,270.0         | \$173.4        | \$601.8      |
| 1999     | \$5,001.4               | \$164.3      | \$1,557.4         | \$192.6        | \$786.0      |
| % change | 30.1%                   | 7.2%         | 22.6%             | 11.1%          | 30.6%        |

Note: inflation increased by 9.9 percent from September 1994 to September 1999.

Source: Office of Tax & Revenue

As evident in FY 1997 and 1998, revenue and preliminary data on FY 1999 collections, a somewhat stronger District economy and improved tax administration are having a positive impact on revenue. During the period of the financial plan, it is projected that reported sales in the components of the sales tax related to the hospitality industry will grow more than the rate of inflation, and that general sales will increase at a rate slightly above the increase in gross state product. In addition, over the period from FY 1998 to FY 2000, revenue will increase due to improvements in the District's ability to collect the taxes that are owed.

#### General Sales and Use Tax General Fund Revenue, Fiscal Years 1999-2004

<sup>11</sup> Ibid., p. 24.

| (Net of Convention Center Fund Transfer) |         |         |         |         |         |         |
|------------------------------------------|---------|---------|---------|---------|---------|---------|
| (\$ Thousands)                           | FY1999  | FY2000  | FY2001  | FY2002  | FY2003  | FY2004  |
| General Sales and Use                    | 543,258 | 566,000 | 588,000 | 614,500 | 646,300 | 679,500 |

## 2. Excise Taxes

In addition to the multi-rate general sales and use tax, the District imposes excise taxes on alcoholic beverages, cigarettes, motor vehicles, and motor fuel. Effective October 1, 1998, the District repealed the hotel occupancy tax. The motor fuel tax is routed directly to a special account to match federal highway funds. As a result, motor fuel tax revenue is not considered part of the general fund for budgetary purposes. Each of the excise taxes is subject to separate forecasting.

| Selective Sales and Excise Tax General Fund Revenue, Fiscal Years 1998 through 2003 |        |         |        |         |         |         |
|-------------------------------------------------------------------------------------|--------|---------|--------|---------|---------|---------|
| (\$ Thousands)                                                                      | FY1999 | FY 2000 | FY2001 | FY 2002 | FY 2003 | FY 2004 |
| Alcoholic Beverages                                                                 | 4,821  | 4,800   | 4,800  | 4,810   | 4,810   | 4,819   |
| Cigarette                                                                           | 17,107 | 16,765  | 16,430 | 16,101  | 15,779  | 15,463  |
| Hotel Occupancy                                                                     | -598   | 0       | 0      | 0       | 0       | 0       |
| Motor Vehicle Excise                                                                | 31,332 | 30,000  | 30,000 | 30,000  | 30,000  | 30,000  |
| Total Selective Sales and Excise (1)                                                | 52,662 | 51,565  | 51,230 | 50,911  | 50,589  | 50,282  |

(1) Excludes Motor Vehicle Fuel tax because it is not a General Fund revenue source.

- Alcoholic Beverage Tax.** The alcoholic beverage tax is forecast to remain relatively constant during the next several years. Decreased consumption due to a declining population is expected to offset most of the growth in consumption related to expanding tourism. The alcoholic beverage tax is levied on wholesale sales of beer, wine, and liquor in the District. The tax rates vary by type of product.
- Cigarette Tax.** Cigarette consumption has been declining for some time due to a variety of factors, including greater awareness of health issues. One impact of this trend is that revenue from the cigarette tax continues to fall and will continue to do so for the foreseeable future. The forecast for the cigarette tax is somewhat more uncertain than in the past due to a lack of information about the impact that recent substantial price increases may have on demand in the District. The District's tax rate of \$0.65 per pack is already one of the highest in the nation and it is not clear how sensitive District smokers are to further price increases. However, changes in federal taxation of tobacco products (i.e., the planned increase in the federal tax per pack of cigarettes to \$0.39 by FY 2002) and price increases due to the tobacco tax settlement will probably dampen demand by increasing prices.
- Motor Vehicle Excise Tax.** The motor vehicle excise tax is imposed on the issuance of every original and subsequent certificate of title on motor vehicles and trailers. The tax is 6 percent of fair market value for vehicles under 3,499 pounds and 7 percent of fair market value for vehicles over 3,500 pounds. As of October 1, 1998, new residents titling their previously out of state vehicles are no longer required to pay the tax. Despite legislative changes, collections of the motor vehicle excise tax exceeded FY 1999 levels by 5 percent. The growth in revenue is most likely due to an increase in overall vehicle sales in general, and sport utility vehicles in particular. Revenue is expected to decline slightly and then remains constant due to increasing interest rates and fuel prices.



## Income Taxes

The individual income tax, the corporate franchise tax, and the unincorporated business franchise taxes are significant sources of District tax revenue, collectively representing 37.7 percent of FY 1999 local source revenue. Revenue for these sources is summarized in the table below. The figure for FY 1999 is a preliminary unaudited figure while the figures for FY 2000 and beyond are forecasts.

| Income Tax Revenue, Fiscal Years 1999-2004 |                  |                  |                  |                  |                  |                  |
|--------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| (\$ Thousands)                             | FY1999           | FY2000           | FY2001           | FY2002           | FY2003           | FY2004           |
| <b>Individual Income</b>                   | 948,100          | 998,800          | 1,007,700        | 1,039,895        | 1,067,464        | 1,070,028        |
| <b>Corporation Franchise</b>               | 164,652          | 193,000          | 185,700          | 183,657          | 173,996          | 168,914          |
| <b>Unincorporated Business Franchise</b>   | 53,896           | 55,500           | 56,700           | 59,025           | 57,345           | 56,864           |
| <b>Total Income Taxes</b>                  | <b>1,166,648</b> | <b>1,247,300</b> | <b>1,250,100</b> | <b>1,282,577</b> | <b>1,298,805</b> | <b>1,295,806</b> |

### 1. Individual Income Tax

The individual income tax, the District's largest single source of tax revenue, accounted for about 30.7 percent of General Fund revenue in FY 1999. The tax is levied on all individuals who maintain a permanent residence in the District at any time during the tax year or on those who maintain a residence for a total of 183 or more days.

The tax is currently applied progressively to net taxable income as follows:

| Net Taxable Income        | Marginal Tax Rate, TY 2000             | Marginal Tax Rate, TY 2001             |
|---------------------------|----------------------------------------|----------------------------------------|
| <b>\$0 - \$10,000</b>     | 5.0%                                   | 5.0%                                   |
| <b>\$10,001 - 20,000</b>  | \$500 + 7.5% on amount over \$10,000   | \$500 + 7.5% on amount over \$10,000   |
| <b>\$20,000 and above</b> | \$1,250 + 9.5% on amount over \$20,000 | \$1,500 + 9.3% on amount over \$30,000 |

Source: Office of Tax and Revenue

These rates are lower than the corresponding rates last year and mark the initial reductions called for by the Tax Parity Act of 1999. The Tax Parity Act will reduce individual income tax rates and change the threshold for the top bracket over a five-year period. Individual income tax rates are scheduled to be reduced from 6 percent to 4 percent for the first \$10,000 of net taxable income, to be reduced from 8 percent to 6 percent for the next \$10,000 taxable income; and to be reduced from 9.5 percent to 8.5 percent for the top rate. The taxable income level at which the top rate applies will also be raised from \$20,000 to \$40,000. All these changes are phased-in over a five-year period from FY 2000 through FY 2004. All rate reductions will be stopped if economic growth and the District's fund balance fall below critical levels as established in the Tax Parity Act of 1999.

Individuals exempt from the District's personal income tax include elected officers of the federal government, presidential appointees subject to confirmation by the U.S. Senate, justices of the United States Supreme Court not domiciled in the District, employees on legislative staffs who are *bona fide*

residents of the state of their elected officer, and all persons working in the District but living outside the District.

## 2. Corporate Franchise and Unincorporated Franchise Taxes

The District's franchise tax is imposed on all corporations and unincorporated businesses having nexus in the District of Columbia. The tax liability is determined by multiplying the rate of 9.975 percent by the net taxable business income that is apportioned to the District of Columbia. Business income is apportioned to the District of Columbia based on a three-factor formula – sales, payroll, and property – with each factor weighted equally.<sup>12</sup> When this apportionment formula does not fairly represent the extent of the taxpayer's business activities in the District, the taxpayer may petition for consideration of (or the Office of Tax and Revenue may require) a different formula.

The minimum tax liability is \$100. Income from unincorporated businesses with annual gross receipts of \$12,000 or less is not included in the taxable base. Also excluded from the taxable base is income from nonresident-owned unincorporated businesses that provide professional services. For taxable unincorporated businesses, owners are allowed a 30 percent salary allowance along with a \$5,000 exemption. When 80 percent or more of the entity's income is derived from personal services, the unincorporated business income is taxed under the individual income tax.

The Tax Parity Act of 1999 reduces franchise tax rates from the current 9.975 percent to 9.0 percent in FY 2003 and to 8.5 percent in FY 2004. The provision will reduce franchise tax revenue by an estimated \$16.7 million in FY 2003. Other provisions of the Tax Parity Act eliminate carry-back of net operating losses and change the net operating provisions so that they are District-specific, with no expected revenue impact in the planning period. These two provisions became effective January 1, 2000.

**Corporate Franchise.** The District expects to collect approximately \$193.0 million in FY 2000 and \$185.7 million in FY 2001 from the corporate franchise tax. This pattern has two components:

- Tax collections in the District closely mimic the level of corporate profits. The Congressional Budget Office forecast expects a reduction in corporate profits nationwide in FY 2000 and FY 2002.
- The impact of the changes under the Tax Parity Act causes a reduction in expected collections in the out-years of the forecast.

Economic research has found that this revenue source is closely correlated with federal corporate tax collections and resident employment, both at one-year lags. It is interesting to note that one economic model indicates that each additional job held by a District resident corresponds to an increase of \$1,303 in net corporate franchise tax collections.

**Unincorporated Business Franchise.** The District expects to collect approximately \$55.5 million in fiscal year 2000 and \$56.7 million in fiscal year 2001 from the unincorporated business franchise tax. Research indicates that collections from this revenue source are affected by corporate profits, resident employment, and personal income growth. Revenue in the out-years (FY 2002 through FY 2004) are assumed to reflect growth rates adopted by the Congressional Budget Office for growth in corporate income tax receipts, although the correspondence is not one-for-one. The softness in corporate profits over the forecast horizon is offset to some extent by expected growth in personal income.

<sup>12</sup> The sales factor is the ratio of the taxpayer's sales in the District to total sales; the payroll factor is the ratio of payroll in the District to total payroll; and the property factor is the ratio of the taxpayer's property in the District to total property.

## Gross Receipts and Other Taxes

| <b>Gross Receipts and Other Taxes, Fiscal Years 1999-2004</b>                                    |                |                |                |                |                |                |
|--------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>(\$ Thousands)</b>                                                                            | <b>FY1999</b>  | <b>FY2000</b>  | <b>FY2001</b>  | <b>FY2002</b>  | <b>FY2003</b>  | <b>FY2004</b>  |
| <b>Public Utilities, Local Telephone Service, Cable Television, Heating Oil, and Natural Gas</b> | 128,472        | 131,812        | 134,712        | 138,215        | 142,085        | 146,205        |
| <b>Toll Telecommunications and Commercial Mobile Service</b>                                     | 51,874         | 53,223         | 54,394         | 55,808         | 57,370         | 59,034         |
| <b>Insurance Premiums</b>                                                                        | 26,944         | 28,000         | 29,000         | 30,000         | 31,000         | 32,000         |
| <b>Estate Tax</b>                                                                                | 27,130         | 27,835         | 28,448         | 29,187         | 30,005         | 30,875         |
| <b>Deed Recordation</b>                                                                          | 70,398         | 67,230         | 65,213         | 65,000         | 65,000         | 65,000         |
| <b>Deed Transfer</b>                                                                             | 47,001         | 44,886         | 43,539         | 43,500         | 43,500         | 43,500         |
| <b>Economic Interests Transfer</b>                                                               | 3,687          | 4,000          | 4,000          | 4,000          | 4,000          | 4,000          |
| <b>Total Gross Receipts and Other Taxes</b>                                                      | <b>355,506</b> | <b>356,986</b> | <b>359,306</b> | <b>365,710</b> | <b>372,960</b> | <b>380,614</b> |

### 1. Gross Receipts Taxes

The District of Columbia imposes a 10 percent gross receipts tax on utilities operating in the District of Columbia. In addition, similar taxes are imposed on heating oil companies, natural and artificial gas marketers, long distance telephone companies, and subscription television, video, and radio service providers. The District also imposes this tax on local telephone companies and wireless telecommunications providers. The traditional regulated utilities pay the bulk of the revenue associated with these taxes.

In FY 2000 and 2001, public utility gross receipts tax revenue is expected to keep pace with inflation. Greater competition in the energy market is likely to place downward pressure on prices. However, weather patterns also have a significant impact on these receipts, as cold periods bring higher natural gas utilization and heat waves result in heightened electricity consumption. The telecommunications sector will continue its transformation, with businesses competing for local phone service, Wireless Internet access, and other new services in bundled packages.

The toll telecommunications tax, which consists of taxes on the long distance and wireless telecommunications markets, declined significantly in FY 1999. Although the primary cause of this decline was a change in the effective tax rate, other factors appear to be at play. The decline in revenue is fully attributable to the long distance market. It may be the result of the use of cellular phones by individuals with phones that have billing addresses outside the District. In addition, the use of E-mail may be causing a reduction in spending on long distance calls.

### 2. Insurance Premiums Tax

The District experienced strong collections from the insurance premiums tax in FY 1997 and FY 1998. Sharp increases in stock prices were reflected in executive compensation resulting in more annuity and life insurance purchases by and for executives. The insurance premiums tax rate and payment methods changed effective in FY 1999. The changes include a reduction in the tax rate from 2.25 percent to 1.7 percent and two annual payments rather than four. The insurance premiums tax base has also been modified. All these changes resulted in a reduction of the insurance premiums tax from \$37.1 million in

FY 1998 to \$26.9 million in FY 1999. Revenue is expected to increase at about the rate of inflation for the FY 2000 through FY 2004 period.

### **3. Deed Recordation and Deed Transfer Taxes**

The deed recordation tax and the deed transfer tax are each calculated as 1.1 percent of the consideration or fair market value of every arms length real property sale. Unlike deed transfer taxes, deed recordation taxes must be paid on any increased value when commercial property is refinanced. In response to continued strong regional economic activity during 1999, the residential and commercial property markets performed at record levels. Commercial property owners continued a trend first noticed in 1997 to refinance property without transferring the deeds to other owners. These transactions account for approximately 20 percent of the combined deed recordation and deed transfer tax revenue. The federal income tax credit for first time homebuyers in the District continued to spur growth in residential home sales and may account for an estimated 18 percent of deed tax revenue.

Commercial transactions constituted an estimated 51 percent of deed tax revenue during FY 1999. Revenue from commercial sales transactions declined by 4 percent compared to FY 1998, due in large part to a decline in the economic interest taxes. This trend mirrors what local commercial real estate firms have been observing: REITs (Real Estate Investment Trusts) have slowed investments due to rising interest rates, while building sales continue to keep pace with 1998 levels.

Revenue from residential transactions grew by 20 percent compared to FY 1998. The growth in home sales may be attributable to the federal income tax credit for first time District homebuyers, lower interest rates, and perceptions of the District as a desirable place to live. Revenue from refinance transactions grew by 53 percent compared to FY 1998 due in large part to lower interest rates and a strong commercial property market. Rising interest rates may contribute to a mild slow down in the pace of real property sales, however it is anticipated the real property markets will remain strong.

### **4. Economic Interests Tax**

The economic interests transfer tax is triggered by a sale of interests in property, which includes two elements. These elements are: 1) 80 percent of the assets of a corporation being transferred consist of real property located in the District of Columbia; and 2) more than 50 percent of the controlling interest of the corporation is being transferred. If these two elements are met then the tax rate is 2.2 percent of the consideration. Revenue from the economic interest tax declined 67 percent in FY 1999 compared to FY 1998 due in large part to a slowdown in real estate investment activity.

Economic interests transfers are normally very large and occur infrequently. There can be a long period of time leading to the final payment of the economic interests tax as corporate lawyers and the recorder of deeds determine exemptions and liability for the tax.

### **Non-Tax Revenue and Lottery**

Local non-tax revenue includes licenses, permits, parking and traffic fines, and charges for services, interest income, and other revenue sources. These revenue sources collectively approximated 3 percent of the District's local-source general fund revenue in FY1999. Further detail is shown in the Supporting Detail/Appendices.

| <b>Non-Tax and Lottery Revenue for Fiscal Years 1999 through 2004</b> |               |               |               |               |               |               |
|-----------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>(\$ in 000s)</b>                                                   | <b>FY1999</b> | <b>FY2000</b> | <b>FY2001</b> | <b>FY2002</b> | <b>FY2003</b> | <b>FY2004</b> |
| <b>Licenses &amp; Permits</b>                                         | 48,080        | 40,994        | 37,095        | 41,131        | 38,150        | 42,505        |
| <b>Fines &amp; Forfeitures</b>                                        | 47,710        | 62,922        | 62,316        | 63,239        | 64,180        | 65,140        |
| <b>Miscellaneous</b>                                                  | 94,824        | 87,134        | 66,133        | 66,564        | 66,960        | 67,506        |
| <b>Charges for Services</b>                                           | 38,026        | 37,802        | 40,228        | 40,697        | 41,284        | 41,875        |
| <b>Tobacco Settlement (30%)</b>                                       |               | 16,049        |               |               |               |               |
| <b>Legalized Gambling</b>                                             | 64,225        | 69,000        | 69,000        | 69,000        | 69,000        | 69,000        |
| <b>Total Non-Tax Revenue</b>                                          | 292,865       | 313,901       | 274,772       | 280,631       | 279,574       | 286,026       |

FY 1999 non-tax revenue remained consistent with FY 1998 levels. Several factors are responsible for the continued strength in non-tax revenue:

- Miscellaneous revenue from the disposition of unclaimed property was very high in FY 1999, surpassing FY 1998 levels by 17 percent.
- Parking meter collections were \$5.7 million above FY 1998 as a result of the installation of 15,000 new parking meters in the District. Meter collections are anticipated to generate around \$13 million annually.

Factors that restrained non-tax revenue in FY 1999 include:

- Revenue from traffic fines declined 10 percent compared to FY 1998 levels due to a 30 percent decline in ticket issuance. The ticket issuance decline was a result of staff shortages and an emphasis on a “more friendly” parking atmosphere.

Factors that will increase non-tax revenue in FY 2000 and FY 2001 include:

- Traffic fines will increase by \$16 million in FY 2000 and \$14.5 million per year thereafter due to the Metropolitan Police Department’s red light camera program.
- Interest income is expected to remain constant with FY 1999 levels and generate \$41.3 million in FY 2000. Interest income should then decline to approximately \$26.3 million per year after the control period expires and revenue retained by the Financial Control Board become general fund revenue.

Factors that will offset the increase in FY 2000 and FY 2001 collections from non-tax revenue include the following:

- Cable television revenue will no longer be part of the general fund, reducing charges for services by \$2.0 million annually effective for FY 2000.
- Miscellaneous revenue from disposition of unclaimed property was very high in FY 1999 (\$31.5 million) due to intense audit activity and sales of unclaimed securities and other properties. A concerted effort will be made in FY 2000 and FY 2001 to return unclaimed property to the rightful owners, which will result in reductions in this revenue source.
- Corrections reimbursements will be eliminated after FY 2000, reducing revenue by \$6.2 million.
- The professional license fee has been phased out and will result in a \$7.6 million revenue reduction in Business Licenses and Permits.

## TAX REVENUE FOREGONE DUE TO FEDERAL PRESENCE

The District will forego some tax revenue due to its unique role as the nation's capital. Restraints on taxation include tax exempt property, the nonresident individual income tax prohibition imposed by Congress, and the large number of tax exempt and military personnel in the District. The inability of the District to include certain income and property within the tax base results in the need to impose higher tax rates on taxable income and property than would otherwise be the case. The District could lower tax rates if the city could expand the tax base and would continue to maintain current revenue. These factors are explained below:

1. Federally owned real estate in the District is exempt from real and personal property taxes. Federal law specifically exempts certain other entities, which would not otherwise be exempt. Real and personal property tax exemptions are estimated to cost the District roughly \$540 million annually at current tax rates.
2. The prohibition against taxing nonresident individual income shifts hundreds of millions of dollars in revenue annually from the District to other taxing jurisdictions. If the District imposed a three-percent tax on nonresident wages and salaries, revenue over and above current individual income tax receipts would be in excess of \$600 million (which would be deductible from income taxes paid in other states). A nonresident individual income tax at full District rates would yield an estimated \$1.6 billion annually, assuming no change in the location of employment or wage rates.
3. Sales and excise tax exemptions for diplomatic and military personnel reduce District revenue roughly \$70 million at current tax rates. Alternatively, if these entities were subject to sales taxes, then rates could be reduced by about 12.5 percent and still generate the same amount of revenue.

These three specific exemptions amount to \$1.2 billion, or more, annually. In addition to these mandated exemptions, the congressionally imposed restriction on the height of District buildings limits taxable office and residential space. These restrictions dampen property tax revenue (and could have spillover effects into income, sales and other taxes) by artificially restricting the property tax base and are also partly responsible for the high tax rates in the District compared to surrounding jurisdictions.

## SPECIAL FUNDS AND EARMARKED REVENUE

District of Columbia revenue includes both special funds and earmarking of general fund revenue.

### 1. Special Funds

The District operates several special funds financed by tax revenue, including the convention center fund, the highway trust fund, and the arena fund. This revenue is not available to the general fund and the appropriated budget, but they are included here for the sake of completeness and to provide estimated revenue for these funds. Furthermore, in the case of the convention center, the special funds represent a deduction or earmarking of revenue from what otherwise are general fund tax sources.

**Convention Center Fund.** Beginning in FY 1999, the convention center fund was changed to include only sales tax revenue from hotels, restaurants, rental vehicles, and certain other sales. The hotel occupancy tax was eliminated and the convention center fund no longer includes a portion of the franchise taxes. The total hotel tax rate was increased from 13.0 percent to 14.5 percent. A 4.45 percent tax on hotel sales is dedicated to the convention center fund while a 10.05 percent tax remains in the District's general fund. The 10 percent restaurant sales tax is still divided so that 1 percent goes to the convention center fund and 9 percent remains in the general fund.

| <b>Sales Tax Forecast for the Convention Center Fund, Fiscal Years 2000-2004</b> |               |               |               |               |               |
|----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>(\$ Thousands)</b>                                                            | <b>FY2000</b> | <b>FY2001</b> | <b>FY2002</b> | <b>FY2003</b> | <b>FY2004</b> |
|                                                                                  | 16,500        | 17,400        | 18,300        | 19,300        | 20,300        |
|                                                                                  | 35,300        | 37,400        | 39,200        | 41,100        | 43,100        |
|                                                                                  | <b>51,800</b> | <b>54,800</b> | <b>57,500</b> | <b>60,400</b> | <b>63,400</b> |

**Motor Fuel Tax.** In 1995, the District was required to establish a highway trust fund dedicated to repayment of the local share of the Federal-Aid Highway Program (FAH) which had been waived by the Federal Highway Administration in FY 1995 and 1996. This fund also serves as the source from which the District matches all future FAH grants. These monies, both local-source and Federal matching funds, are used to construct and repair sections of the District's roads and other transportation infrastructure. Motor vehicle fuel tax revenue is deposited directly in the trust fund and is not general fund revenue.

The motor fuel tax is assessed at \$0.20 per gallon and is collected by the Office of Tax and Revenue (OTR).

| <b>Highway Trust Fund, Fiscal Years 2000 through 2005</b> |               |               |               |               |               |               |
|-----------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>(\$ Thousands)</b>                                     | <b>FY2000</b> | <b>FY2001</b> | <b>FY2002</b> | <b>FY2003</b> | <b>FY2004</b> | <b>FY2005</b> |
| <b>Motor Fuel Tax</b>                                     | 32,130        | 32,159        | 32,200        | 32,228        | 32,256        | 32,285        |

**Arena Fee.** The arena fee is assessed against the District gross receipts of businesses on a sliding scale in order to finance debt service on general obligation construction bonds issued by the District for site preparation related to the MCI Arena. Total revenue is around \$9 million annually, the amount needed to pay revenue bonds and satisfy bond covenants.

The Tax Parity Act provides a \$2 million threshold for the arena fee. That is, no taxpayer with District gross receipts below \$2 million is required to pay the Arena Fee. To satisfy bond requirements, arena fee rates for taxpayers with District gross receipts of \$2 million or more have been adjusted to ensure that arena fee revenue does not fall below current levels.

The new fee schedule is as follows:

| <b>Arena Fee Schedule</b>                   |            |
|---------------------------------------------|------------|
| <b>D.C. Gross Receipts<br/>(\$ in 000s)</b> | <b>Fee</b> |
| <b>\$2,000,000 - \$3,000,000</b>            | \$1,000    |
| <b>\$3,000,000 - \$10,000,000</b>           | \$3,300    |
| <b>\$10,000,000 - \$15,000,000</b>          | \$6,500    |
| <b>Over \$15,000,000</b>                    | \$11,000   |

| Arena Fund, Fiscal Years 2000 through 2005 |        |        |        |        |        |        |
|--------------------------------------------|--------|--------|--------|--------|--------|--------|
| (\$ in 000s)                               | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 |
| <b>Arena Fee</b>                           | 9,000  | 9,000  | 9,000  | 9,000  | 9,000  | 9,000  |

## 2. Earmarking of Revenue for Special Purposes

The District earmarks, or sets aside, revenue from several sources to provide funding for certain specific purposes. In general, the tax that is earmarked relates to the purpose being funded; for example, the motor vehicle fuel tax is used to match federal dollars for the Highway Trust Fund. The percentage of total revenue earmarked in FY 1999 is shown in the following table. Beginning in FY 1999, the District no longer earmarks revenue for convention center promotion as a separate item. Promotion of the convention center will come directly from the Convention Center Authority.

| District of Columbia Earmarked Revenue, FY 1999 (prelim.) |                                                                                                                                                                                 |                                                      |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
|                                                           |                                                                                                                                                                                 | <b>Percent of Total<br/>Local-Source<br/>Revenue</b> |
|                                                           | Real property tax (variable percentage)                                                                                                                                         | 13.44%                                               |
|                                                           | All of the motor vehicle excise tax, all parking meters fees, all traffic fines, the motor vehicle registration fee, and parts of the restaurant, hotel and parking sales taxes | 11.34%                                               |
|                                                           | All of the motor vehicle fuel tax                                                                                                                                               | 1.01%                                                |
|                                                           | Parts of the restaurant and hotel sales tax, the hotel occupancy tax, and a surcharge on the corporate franchise and unincorporated business franchise taxes                    | 1.61%                                                |
|                                                           | Arena fee (all)                                                                                                                                                                 | 0.38%                                                |
|                                                           |                                                                                                                                                                                 |                                                      |
| <b>Total: (a)</b>                                         |                                                                                                                                                                                 | <b>27.78%</b>                                        |

“Total” consists of all local-source general fund revenue plus the arena fee, convention center transfers, and the motor vehicle fuel tax.

This total of 27.8 percent of total local-source revenue earmarked is slightly above the level of other states; nationwide, states earmark on average 24 percent of their revenue for various purposes.



## NOTES ON THE DATA AND THE REVENUE ESTIMATES

In the tables and estimates contained in this chapter, preliminary actual revenue is given for FY 1999 and projected revenue is given for FY 2000 through FY 2004. Actual revenue will correspond to amounts reported in the Comprehensive Annual Financial Report (CAFR) for FY 1999 when it becomes available. The Tax and Economic Policy Administration, Office of Tax and Revenue (OTR), which prepares the estimates, assumes that current law, policy, and administrative quality will continue – that is, that no new changes in tax structure, tax rates, or addition or elimination of revenue sources will be included as part of the estimate unless already legislated and able to be implemented.

### 1. A Brief Description of the Process Used to Prepare Forecasts

To prepare the revenue estimates, OTR takes a multi-dimensional approach. In the case of non-tax revenue (encompassing thousands of fees and over 100 revenue sources), OTR works with District agencies to determine initial forecasts by revenue source. OTR then modifies estimates based on knowledge of internal operations. OTR also consults with the Office of Budget and Planning for any changes in revenue source definitions. For each tax revenue source, cash collections for up to 30 years are analyzed for trends based on standard practices employed by state revenue forecasting agencies.

Using standard statistical regression methods, models are developed and estimated which provide point estimates and confidence intervals principally for FY 2000 and FY 2001, although forecasts for more distant periods are also considered. Limitations in the accuracy of the historical data affect the reliability of the results of the model. The models meet standard statistical tests for reliability at 95 percent or greater confidence intervals. However, the confidence intervals remain large, often plus or minus 30 percent or more of the point estimate.

The services of DRI/McGraw-Hill, Regional Financial Associates, supplemented with data from the Congressional Budget Office, are used to provide national and local baselines. In addition, OTR met with two newly established Advisory Groups in preparing the revenue estimates. The Revenue Estimating Advisory Group, composed of 7 professionals from surrounding state and local jurisdictions, the Congressional Budget Office, a university, and an accounting firm, provided advice on technical estimating issues at its initial meeting in December 1999. The Business Economic Advisory Group, composed of 18 representatives of leading District-area businesses and non-profit institutions, provided advice on current economic trends at its initial meeting in January 2000. OTR also consulted with representatives of the State of Maryland and the Commonwealth of Virginia regarding trends in income and sales tax collections in those jurisdictions.

### 2. Revenue versus Cash

The District budget is based on revenue, an accrual accounting concept in which cash remitted by taxpayers is adjusted to account for such things as accounts receivable (taxes owed but not yet paid, in some cases including penalties and interest), reserves, and taxes paid early. In general, for many of the years preceding FY 1997, revenue for some taxes have been greater than cash, due largely to expectations regarding future collections of accounts receivable. In FY 1997, increased collections of some accounts receivable, the write-off of others, and establishment of adequate reserves against those still outstanding resulted in cash collections \$30 million greater than revenue. In FY 1998, cash collections were also higher than revenue with a difference of less than \$10 million. In FY 1999 and later years the relationship between cash and revenue is anticipated to be close to balance which should be the normal situation with accurate records and effective collection efforts.

## Legislative Initiatives

The following section presents some major legislation and other initiatives impacting the estimates that were known at the time that this document was prepared.

### 1. Tax Parity Act Of 1999

The revenue estimates take into account the implementation of the cut cuts specified in the Tax Parity Act of 1999. This legislation provides District tax reductions ranging in cost from \$59 million in FY 2000 to \$287.6 million in FY 2004. The Tax Parity Act of 1999 includes rate reductions in the individual income tax, in commercial and rental real property tax rates, and in the franchise tax rates. Personal property depreciation rates are accelerated and a threshold is introduced for payment of the personal property tax. Other provisions include elimination of the arena fee for those businesses with less than \$2 million in District gross receipts, elimination of net operating loss carry-back and provision of a District-specific net operating loss provision and elimination of the sales tax on internet access.

The provisions of the Tax Parity Act of 1999 are phased-in so that the provisions will not be in full effect until FY 2004. The provisions to be phased-in each year of the plan may be halted if the Chief Financial Officer of the District determines that: a) the accumulated fund balance for the prior year is below 5 percent of the general fund operating budget of that year; or b) gross domestic product (GDP) growth as estimated by the Congressional Budget Office (CBO) is below 3.5 percent for the current year; or c) inflation-adjusted growth in GDP as estimated by CBO is below 1.7 percent for the current year. The Council of the District of Columbia and the Mayor may also consider reducing the top rate to 8 percent or less if economic conditions warrant such a change.

### 2. Red Light Camera Program

In FY 2000, the District began operation of a red light camera traffic program. This initiative is intended to reduce the incidents of drivers running red lights and accidents. Fines are associated with the issuance of tickets for this violation. The estimates include \$16.0 million in FY 2000 and \$14.5 million in FY 2001.

### 3. Right Of Way Fee

The District is expected to begin charging utilities a fee for the use of streets and other public property. In the past, these industries enjoyed free use of this public asset. \$4.5 million is expected to be collected in FY 2000 and \$6.7 million in FY 2001, based on a monthly fee structure.

### 4. Modifications

The District eliminated the professional license fee, reducing revenue by \$7.5 million. The cable franchise fee was changed from general revenue to allocated revenue, eliminating \$2.1 million from the general fund estimate. Finally, it is anticipated that the District will no longer receive a corrections reimbursement, reducing revenue by \$6.2 million in FY 2001.

## Revenue Impact of Incremental Changes in Tax Rates

This section examines the revenue impact of incremental changes in tax rates – for instance, lowering a tax rate by 1 cent or by 1 percentage point. These numbers are not presented as definitive fiscal impact statements, but instead represent rules of thumb to evaluate general legislative proposals.

**Real Property:**

|                                                          | Annual Impact    |                     |
|----------------------------------------------------------|------------------|---------------------|
| One cent change in tax rate by class                     | Class 1 (\$0.96) | \$ 1,280,000        |
|                                                          | Class 2 (\$1.54) | \$ 660,000          |
|                                                          | Class 3 (\$1.85) | \$ 150,000          |
|                                                          | Class 4 (\$2.15) | \$ 1,730,000        |
|                                                          | Class 5 (\$5.00) | \$ 10,000           |
|                                                          | <b>TOTAL</b>     | <b>\$ 3,830,000</b> |
| Eliminate homestead exemption                            |                  | \$ 26,100,000       |
| Eliminate senior credit                                  |                  | \$ 15,000,000       |
| Personal Property Tax:                                   |                  |                     |
| One cent change in tax rate (now \$3.40 per \$100 value) |                  | \$ 200,000          |

Note: Assumes no change in stock of personal property

**Sales and Use Tax:**

|                                     |                           |                      |
|-------------------------------------|---------------------------|----------------------|
| One percent change in each tax rate | General rate (5.75%)      | \$ 50,200,000        |
|                                     | Liquor rate (8.0%)        | \$ 1,640,000         |
|                                     | Restaurant rate (10%)     | \$ 15,630,000        |
|                                     | Parking rate (12%)        | \$ 1,910,000         |
|                                     | Hotel, motel rate (14.5%) | \$ 7,520,000         |
|                                     | <b>TOTAL</b>              | <b>\$ 77,290,000</b> |

Note: Does not include estimates of elasticity of various tax rates.  
 Figures shown are before Convention Center distribution.  
 Figures include use tax

|                                           |               |
|-------------------------------------------|---------------|
| Eliminate sales tax on business purchases | \$100,000,000 |
|-------------------------------------------|---------------|

**Alcoholic Beverage Tax:**

|                             |                                |                   |
|-----------------------------|--------------------------------|-------------------|
| One cent change in tax rate | Beer (\$0.09 rate per gallon)* | \$ 133,000        |
|                             | Spirits (\$1.50 per gallon)    | \$ 17,000         |
|                             | Light Wine (\$.30 per gallon)  | \$ 25,000         |
|                             | Heavy Wine (\$.40 per gallon)  | \$ 2,000          |
|                             | Champagne, Sparkling (\$.45)   | \$ 31,000         |
|                             | <b>TOTAL</b>                   | <b>\$ 208,000</b> |

\* Equivalent to tax rate of \$2.79 per 31-gallon barrel.

**Cigarette Tax:**

|                             |                              |            |
|-----------------------------|------------------------------|------------|
| One cent change in tax rate | Cigarette tax rate now \$.65 | \$ 180,000 |
|-----------------------------|------------------------------|------------|

Note: Assumes elasticity of 0.5, figure shown assumes rate increase

**Motor Vehicle Excise Tax:**

|                                                                |              |
|----------------------------------------------------------------|--------------|
| One percent change in each tax rate (current rates now 6%, 7%) | \$ 2,800,000 |
|----------------------------------------------------------------|--------------|

**Motor Vehicle Fuel Tax:**

|                                                                |              |
|----------------------------------------------------------------|--------------|
| One cent change in tax rate (current rate 20 cents per gallon) | \$ 1,600,000 |
|----------------------------------------------------------------|--------------|

**Individual Income Tax:**

One percent change in each rate (current rates 5%, 7.5% and 9.5%)

|                                      |                      |
|--------------------------------------|----------------------|
| Taxable Income of 0-\$10,000 at 4%   | \$ 21,100,000        |
| Taxable Income 10-\$20,000 at 6.5%   | \$ 14,400,000        |
| Taxable Income over \$20,000 at 8.5% | \$ 50,200,000        |
| <b>TOTAL ALL THREE RATES</b>         | <b>\$ 85,700,000</b> |

|                                                                     |               |
|---------------------------------------------------------------------|---------------|
| Increase personal exemption by from \$1,370 to \$1,500              | \$ 5,300,000  |
| Increase standard deduction from \$1,000/\$2,000 to \$2,000/\$4,000 | \$ 12,000,000 |

|                                    |               |
|------------------------------------|---------------|
| Reduce top rate to 9.0% (now 9.5%) | \$ 25,600,000 |
|------------------------------------|---------------|

**Corporate Franchise Tax:**

|                                                      |               |
|------------------------------------------------------|---------------|
| One percent change in tax rate (current rate 9.975%) | \$ 16,500,000 |
|------------------------------------------------------|---------------|

**Unincorporated Business Franchise Tax:**

|                                                      |              |
|------------------------------------------------------|--------------|
| One percent change in tax rate (current rate 9.975%) | \$ 5,400,000 |
|------------------------------------------------------|--------------|

**Public Utility Tax:**

|                                                     |               |
|-----------------------------------------------------|---------------|
| One percent change in tax rate (current rate 10.0%) | \$ 12,800,000 |
|-----------------------------------------------------|---------------|

**Toll Telecommunications Tax:**

|                                                     |              |
|-----------------------------------------------------|--------------|
| One percent change in tax rate (current rate 10.0%) | \$ 5,190,000 |
|-----------------------------------------------------|--------------|

**Deed Recordation Tax:**

|                                                          |              |
|----------------------------------------------------------|--------------|
| One-tenth percent change in tax rate (current rate 1.1%) | \$ 6,400,000 |
|----------------------------------------------------------|--------------|

**Deed Transfer Tax:**

|                                                          |              |
|----------------------------------------------------------|--------------|
| One-tenth percent change in tax rate (current rate 1.1%) | \$ 4,300,000 |
|----------------------------------------------------------|--------------|

**Economic Interest Tax:**

|                                                          |            |
|----------------------------------------------------------|------------|
| One-tenth percent change in tax rate (current rate 1.1%) | \$ 180,000 |
|----------------------------------------------------------|------------|

## Supporting Data/Appendices

| Summary of District Tax Rates as of October 1, 1999                                         |                   |
|---------------------------------------------------------------------------------------------|-------------------|
| <b>Real Property (per \$100 of Assessed Value)</b>                                          |                   |
| Class I - Owner-Occupied Residential <sup>a</sup>                                           | \$0.96            |
| Class II – Residential Rental                                                               | 1.34              |
| Class III – Hotels, Motels, Inns                                                            | 1.85              |
| Class IV – Commercial                                                                       | 2.05              |
| Class V – Unimproved, Vacant                                                                | 2.05              |
| <i><sup>a</sup> Subject to homestead exemption of \$30,000 and senior citizen exemption</i> |                   |
| <b>Personal Property (per \$100 of Assessed Value)</b>                                      | \$3.40            |
| <b>General Sales Tax (per \$1.00 of sales)</b>                                              |                   |
| General Rate                                                                                | 5.75%             |
| Off-Sale Alcohol                                                                            | 8.0 %             |
| Restaurant Meals                                                                            | 10.0 %            |
| Parking                                                                                     | 12.0 %            |
| Hotels/Motels (rate effective 10/1/98)                                                      | 14.5 %            |
| <b>Alcoholic Beverage Tax</b>                                                               |                   |
| Beer                                                                                        | \$2.79 per barrel |
| Distilled Spirits                                                                           | 1.50 per gallon   |
| Wine < 14%                                                                                  | 0.30 per gallon   |
| Wine > 14%                                                                                  | 0.40 per gallon   |
| Sparkling Wines                                                                             | 0.45 per gallon   |
| <b>Cigarette Tax (per pack)</b>                                                             | \$0.65            |
| <b>Motor Fuel Tax (per gallon)</b>                                                          | \$0.20            |
| <b>Motor Vehicle Excise Tax</b>                                                             |                   |
| Up to 3,499 lbs.                                                                            | 6% of value       |
| 3,500 lbs. or more                                                                          | 7% of value       |
| <b>Hotel Occupancy Tax (effective 10/1/98)</b>                                              | Eliminated        |
| <b>Individual Income Tax (marginal rate, calendar 2000)</b>                                 |                   |
| \$0 to \$ 9,999                                                                             | 5.000%            |
| \$ 10,000 to \$ 19,999                                                                      | 7.500%            |
| \$ 20,000 and over                                                                          | 9.500%            |
| <b>Corporation and Unincorporated Business Franchise</b>                                    | 9.975%            |
| <b>Public Utility Gross Receipts</b>                                                        | 10.000%           |
| <b>Toll Telecommunication Gross Receipts</b>                                                | 10.000%           |
| <b>Insurance Gross Premiums (effective 1/1/99)</b>                                          | 1.700%            |
| <b>Estate Tax</b>                                                                           | Federal Credit    |
| <b>Deed Recordation and Transfer Taxes</b>                                                  | 1.100%            |
| <b>Economic Interests Tax</b>                                                               | 2.200%            |

Source: District of Columbia Tax Facts and Office of Tax and Revenue

| Summary and Description of Taxes     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------|----------------|---------------------|--------------------------------------|--------------------------------------|---------------|----------------------------------------|---------------|--------|---------|--------|---------------|
| PART A - GENERAL FUND TAXES          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Tax                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Rates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | FY 1999 Revenue (Prelim.) |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| REAL PROPERTY TAX                    | All real property, unless expressly exempted, is subject to the real property tax and, beginning in TY 98, is assessed triennially at 100% of market value. The District of Columbia uses five classifications of property: Class I--improved residential real property that is owner-occupied; Class II--improved residential real property that is rental; Class III--hotels and motels; Class IV--real property which is not Class I, II, or III property; and Class V--unimproved property (vacant land). Vacant property which abuts and has common ownership with a classified property is classified the same as that property which it abuts.<br><i>D.C. Code Citation: Title 47, Chapter 7 - 14.</i> | The District's Real Property Tax Year is October 1 through September 30.<br><br><table><tr><th>Property Class</th><th>Tax Per \$100 of Value</th></tr><tr><td>Class I</td><td>\$0.96<sup>/</sup></td></tr><tr><td>Class II</td><td>\$1.34</td></tr><tr><td>Class III</td><td>\$1.85</td></tr><tr><td>Class IV</td><td>\$2.05</td></tr><tr><td>Class V</td><td>\$2.05</td></tr></table><br><sup>/</sup> The first \$30,000 of Assessed Value is exempt from the tax.                                                                                                               | Property Class            | Tax Per \$100 of Value | Class I        | \$0.96 <sup>/</sup> | Class II                             | \$1.34                               | Class III     | \$1.85                                 | Class IV      | \$2.05 | Class V | \$2.05 | \$597,605,000 |
| Property Class                       | Tax Per \$100 of Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Class I                              | \$0.96 <sup>/</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Class II                             | \$1.34                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Class III                            | \$1.85                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Class IV                             | \$2.05                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Class V                              | \$2.05                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| PERSONAL PROPERTY TAX                | All tangible property, except inventories, used or available for use in a trade or business.<br><i>D.C. Code Citation: Title 47, Chapter 15 - 17.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$3.40 per \$100 of assessed value<br><br><i>Note: As of July 31, 2000, both an accelerated depreciation schedule for computer equipment; and a \$50,000 taxable value threshold on personal property are adopted.</i>                                                                                                                                                                                                                                                                                                                                                            | \$73,928,000              |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| PUBLIC SPACE RENTAL                  | Commercial use of publicly owned property between the property line and the street.<br><i>D.C. Code Citation: Title 7, Chapter 10.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Various rates for the following:<br>Vault, Sidewalk (Enclosed and Unenclosed).<br>Sidewalk Surface, and Fuel Oil Tank                                                                                                                                                                                                                                                                                                                                                                                                                                                             | \$ 8,109,000              |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| SALES AND USE TAX                    | All tangible personal property and certain selected services, sold or rented to businesses or individuals at retail in the District. Groceries, prescription and non-prescription drugs, and residential utility services are among those items exempt from the sales tax.<br><br>The use tax is imposed at the same rates sales tax rate on purchases made outside the District and then brought into the District to be used, stored or consumed, providing that the purchaser has not paid the sales tax on the purchases to another jurisdiction.<br><i>D.C. Code Citation: Title 47, Chapters 20 and 22.</i>                                                                                             | A five-tier rate structure is presently in effect:<br>5.75% General rate for tangible personal property and selected services,<br>8% Liquor sold for off the premises consumption<br>10% Restaurant meals, liquor for consumption on the premises, rental vehicles<br>12% Parking motor vehicles in commercial lots<br>14.5% Transient accommodations<br><br><i>Note: The following portions of the sales tax go to the Convention Center Fund: 1% of sales tax from restaurant meal etc., and 4.45% of transient accommodations. Sales tax on internet access is eliminated.</i> | \$543,258,000 a           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| ALCOHOLIC BEVERAGE TAX               | Alcoholic beverages manufactured by a holder of a manufacturer's license and beverages brought into D.C. by the holder of a wholesaler's license.<br><i>D.C. Code Citation: Title 25, Chapter 1.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Beer --\$2.79 per 31 gallon barrel<br>Light wine < 15% alcohol -- 30¢ per gal<br>Heavy wine > 14% alcohol -- 40¢ per gal<br>Champagne/sparkling wine- 45¢ per gal<br>Spirits -- \$1.50 per gallon                                                                                                                                                                                                                                                                                                                                                                                 | \$ 4,821,000              |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| CIGARETTE TAX                        | The sale or possession of cigarettes in the District. Cigarettes sold to the military and to the federal government are exempt<br><i>D.C. Code Citation: Title 47, Chapter 24.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 65¢ per package of twenty cigarettes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$17,107,000              |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| MOTOR VEHICLE EXCISE TAX             | Issuance of every original and subsequent certificate of title on motor vehicles and trailers.<br><i>D.C. Code Citation: Title 40, Chapter 7.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Based on manufacturer's shipping weight<br>6% of fair market value-3,499 lbs. or less<br>7% of fair market value-3,500 lbs. or more                                                                                                                                                                                                                                                                                                                                                                                                                                               | \$31,332,000              |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| INDIVIDUAL INCOME TAX                | The taxable income of an individual who is domiciled in the District at any time during the tax year, or who maintains an abode in the District for 183 or more days during the year.<br><i>D.C. Code Citation: Title 47, Chapter 18.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <table><tr><th>Taxable Income</th><th>Tax Rate</th></tr><tr><td>First \$10,000</td><td>5.0%</td></tr><tr><td>Over \$10,000, but Not over \$20,000</td><td>\$600 + 7.5% of excess over \$10,000</td></tr><tr><td>Over \$20,000</td><td>\$1,400 + 9.5% of Excess over \$20,000</td></tr></table>                                                                                                                                                                                                                                                                                    | Taxable Income            | Tax Rate               | First \$10,000 | 5.0%                | Over \$10,000, but Not over \$20,000 | \$600 + 7.5% of excess over \$10,000 | Over \$20,000 | \$1,400 + 9.5% of Excess over \$20,000 | \$948,100,000 |        |         |        |               |
| Taxable Income                       | Tax Rate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| First \$10,000                       | 5.0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Over \$10,000, but Not over \$20,000 | \$600 + 7.5% of excess over \$10,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |
| Over \$20,000                        | \$1,400 + 9.5% of Excess over \$20,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                        |                |                     |                                      |                                      |               |                                        |               |        |         |        |               |

Revenue

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                 |                                |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------|
| CORPORATE FRANCHISE TAX          | Net income of corporations having nexus in the District. All corporations engaging in a trade, business or profession in the District of Columbia must register.<br><i>D.C. Code Citation: Title 47, chapter 18.</i>                                                                                                                                                                                                                                                                                                                                                    | The franchise tax rate is 9.975 percent of taxable income.                                      | \$164,652,000                  |
| U. B. FRANCHISE TAX              | Net income of unincorporated businesses with gross receipts over \$12,000. A 30% salary allowance for owners and a \$5,000 exemption are deductible from net income to arrive at taxable income. A business is exempt if more than 80% of gross income is derived from personal services rendered by the members of the entity and capital is not a material income-producing factor. A trade, business or professional organization, which by law, customs or ethics cannot be incorporated, is exempt.<br><i>D.C. Code Citation: Title 47, chapter 18.</i>            | The franchise tax rate is 9.975 percent of taxable income.                                      | \$ 53,896,000                  |
| PUBLIC UTILITY TAX               | Gross receipts of gas, electric and local telephone companies.<br><i>D.C. Code Citation: Title 47, Chapter 25.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 10% of gross charges                                                                            | \$128,472,000                  |
| TOLL TELECOMMUNICATIONS TAX      | Gross receipts of companies providing toll telecommunication service in the District.<br><i>D.C. Code Citation: Title 47, Chapter 38.</i>                                                                                                                                                                                                                                                                                                                                                                                                                               | 10% of gross charges                                                                            | \$51,874,000                   |
| INSURANCE PREMIUMS TAX           | Gross insurance premiums received on risks in the District, less premiums received for reinsurance assumed, returned premiums and dividends paid to policyholders. The tax is in lieu of all other taxes except real estate taxes and fees provided for by the District's insurance law.<br><i>D.C. Code Citation: Title 35; Title 47, Chapter 26.</i>                                                                                                                                                                                                                  | 1.7% on gross premium receipts                                                                  | \$26,944,000                   |
| INHERITANCE AND ESTATE TAX       | The estate of every decedent dying while a resident of the District, and on the estate of every nonresident decedent owning property having a taxable status in the district at the time of his or her death.<br><i>D.C. Code Citation: Title 47, Chapter 19.</i>                                                                                                                                                                                                                                                                                                       | Tax equals the amount of credit for state death taxes allowed on the Federal Estate Tax Return. | \$27,130,000                   |
| DEED RECORDATION TAX             | The recording of all deeds to real estate in the District. The basis of the tax is the value of consideration given for the property. Where there is no consideration or where the consideration is nominal, the tax is imposed on the basis of the fair market value of the property.<br><i>D.C. Code Citation: Title 45, Chapter 9.</i>                                                                                                                                                                                                                               | 1.1% of consideration or fair market value                                                      | \$70,398,000                   |
| DEED TRANSFER TAX                | Each transfer of real property at the time the deed is submitted for recordation. The tax is based upon the consideration paid for the transfer. Where there is no consideration or where the amount is nominal, the basis of the transfer tax is the fair market value of the property conveyed.<br><i>D.C. Code Citation: Title 45, Chapter 9.</i>                                                                                                                                                                                                                    | 1.1% of consideration or fair market value                                                      | \$17,001,000                   |
| ECONOMIC INTEREST TAX            | The economic interest transfer tax is triggered by two (2) elements. These elements are 1) 80% of the assets of a corporation consist of real property located in the District of Columbia; and 2) more than 50% of the controlling interest of the corporation is being transferred. The consideration is not always equal to the assessed value of the property. The consideration is what is paid for the interest being transferred. If there is no tangible consideration, then the tax basis will be the assessed value of the property owned by the corporation. | 2.2% of consideration or fair market value                                                      | \$8,687,000                    |
| <b>TOTAL GENERAL FUND TAXES:</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                 | <b>A b<br/>\$2,797,716,000</b> |

NOTE: The above detail does not include (\$598,000) for hotel occupancy.

| PART B - OTHER SELECTED TAXES                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----|-------------------------|------|----------------------------|----------|-----------------------------|----------|------------------------------|----------|-------------------|----------|--------------|
| Tax                                               | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Rates                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | FY 1999 Revenue (Prelim.)                         |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| MOTOR VEHICLE FUEL TAX                            | Every importer of motor vehicle fuels, including gasoline, diesel fuel, benzol, benzene, naphtha, kerosene, heating oils, all liquefied petroleum gases and all combustible gases and liquids suitable for the generation of power for the propulsion of motor vehicles.<br><i>D.C. Code Citation: Title 47, Chapter 23.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 20¢ per gallon                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$81,073,000                                      |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| ARENA FEE                                         | <p>The arena fee is required to be paid by any person or entity who at any given point during their calendar year or fiscal year ending on June 15, is subject to any of the following:</p> <p>1) the District corporation franchise tax;</p> <p>2) the District unincorporated business franchise tax; or</p> <p>3) The District Unemployment Compensation Act, except employers who employ persons to provide personal or domestic services in a private home unless the employment is related to the employer's trade, occupation profession, enterprise, or vocation.</p> <p>An entity granted exemption from the District corporation franchise tax or unincorporated business franchise tax, pursuant to Title II of the District Income and Franchise Tax Act of 1947, as amended, is not subject to the fee, unless it has unrelated business income. An exempt entity with unrelated business income shall pay an arena fee based upon annual the District gross receipts associated with the unrelated business income for the preceding fiscal year.<br/><i>D.C. Code Citation: Omnibus Budget Support Act of 1994, Title III, Section 303, April 22, 1994.</i></p> | <table><tr><th>District Gross Receipts For Preceding Fiscal Year</th><th>Fee</th></tr><tr><td>Less than \$200,000,000</td><td>\$ 0</td></tr><tr><td>\$2,000,001 to \$3,000,000</td><td>\$ 1,000</td></tr><tr><td>\$3,000,001 to \$10,000,000</td><td>\$ 3,300</td></tr><tr><td>\$10,000,001 to \$15,000,000</td><td>\$ 6,500</td></tr><tr><td>Over \$15,000,000</td><td>\$11,000</td></tr></table> <p><i>Note: New rate schedule, effective for payments due June 15, 2000.</i></p> | District Gross Receipts For Preceding Fiscal Year | Fee | Less than \$200,000,000 | \$ 0 | \$2,000,001 to \$3,000,000 | \$ 1,000 | \$3,000,001 to \$10,000,000 | \$ 3,300 | \$10,000,001 to \$15,000,000 | \$ 6,500 | Over \$15,000,000 | \$11,000 | \$11,617,540 |
| District Gross Receipts For Preceding Fiscal Year | Fee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| Less than \$200,000,000                           | \$ 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| \$2,000,001 to \$3,000,000                        | \$ 1,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| \$3,000,001 to \$10,000,000                       | \$ 3,300                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| \$10,000,001 to \$15,000,000                      | \$ 6,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |
| Over \$15,000,000                                 | \$11,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |     |                         |      |                            |          |                             |          |                              |          |                   |          |              |

Source of General Fund Revenue Amounts: D.C. Comprehension Annual Financial Report

(a) Amount excludes transfers to the Convention Center Fund.

(b) Excludes revenue from the hotel occupancy tax that was discontinued, effective October 1, 1998.

Prepared by the Tax and Economic Policy Administration, the District Office of Tax and Revenue. 03/07/00.



**COMPARISON: FY 1999 Actual, FY 2000 Revised &  
FY 2001 Original Revenue Estimates**

(\$000)

|                                               |                  | <b>FY 2000<br/>Revised<br/>Estimate<br/>(March 2000)</b> | <b>FY 2001<br/>Original<br/>Estimate<br/>(March 2000)</b> | <b>\$<br/>Difference<br/>FY 1999 &amp;<br/>FY 2000</b> | <b>\$<br/>Difference<br/>FY 2000 &amp;<br/>FY 2001</b> | <b>Pct.<br/>Difference<br/>FY 1999 &amp;<br/>FY 2000</b> | <b>Pct.<br/>Difference<br/>FY 2000 &amp;<br/>FY 2001</b> |
|-----------------------------------------------|------------------|----------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Real Property                                 | 597,605          | 572,900                                                  | 573,500                                                   | (24,705)                                               | 600                                                    | -4.1%                                                    | 0.1%                                                     |
| Public Space Rental                           | 73,928           | 70,150                                                   | 61,560                                                    | (3,778)                                                | (8,590)                                                | -5.1%                                                    | -12.2%                                                   |
| Personal Property                             | 8,109            | 9,200                                                    | 9,300                                                     | 1,091                                                  | 100                                                    | 13.5%                                                    | 1.1%                                                     |
| <b>Total, Property Taxes</b>                  | <b>679,642</b>   | <b>652,250</b>                                           | <b>644,360</b>                                            | <b>(27,392)</b>                                        | <b>(7,890)</b>                                         | <b>-4.0%</b>                                             | <b>-1.2%</b>                                             |
| Sales and Use                                 | 543,258          | 566,000                                                  | 588,000                                                   | 22,742                                                 | 22,000                                                 | 4.2%                                                     | 3.9%                                                     |
| Alcoholic Beverage                            | 4,821            | 4,800                                                    | 4,800                                                     | (21)                                                   | 0                                                      | -0.4%                                                    | 0.0%                                                     |
| Cigarette                                     | 17,107           | 16,765                                                   | 16,430                                                    | (342)                                                  | (335)                                                  | -2.0%                                                    | -2.0%                                                    |
| Motor Vehicle Excise                          | 31,332           | 30,000                                                   | 30,000                                                    | (1,332)                                                | 0                                                      | -4.3%                                                    | 0.0%                                                     |
| Hotel Occupancy                               | (598)            | 0                                                        | 0                                                         | 598                                                    | 0                                                      |                                                          |                                                          |
| <b>Total, Sales Taxes</b>                     | <b>595,920</b>   | <b>617,565</b>                                           | <b>639,230</b>                                            | <b>21,645</b>                                          | <b>21,665</b>                                          | <b>3.6%</b>                                              | <b>3.5%</b>                                              |
| Individual Income                             | 948,100          | 998,800                                                  | 1,007,700                                                 | 50,700                                                 | 8,900                                                  | 5.3%                                                     | 0.9%                                                     |
| Corporate Franchise                           | 164,652          | 193,000                                                  | 185,700                                                   | 28,348                                                 | (7,300)                                                | 17.2%                                                    | -3.8%                                                    |
| U.B. Franchise                                | 53,896           | 55,500                                                   | 56,700                                                    | 1,604                                                  | 1,200                                                  | 3.0%                                                     | 2.2%                                                     |
| <b>Total, Income Taxes</b>                    | <b>1,166,648</b> | <b>1,247,300</b>                                         | <b>1,250,100</b>                                          | <b>80,652</b>                                          | <b>2,800</b>                                           | <b>6.9%</b>                                              | <b>0.2%</b>                                              |
| Public Utility Gross Receipts                 | 128,472          | 131,812                                                  | 134,712                                                   | 3,340                                                  | 2,900                                                  | 2.6%                                                     | 2.2%                                                     |
| Toll Telecommunications                       | 51,874           | 53,223                                                   | 54,394                                                    | 1,349                                                  | 1,171                                                  | 2.6%                                                     | 2.2%                                                     |
| Insurance Premiums                            | 26,944           | 28,000                                                   | 29,000                                                    | 1,056                                                  | 1,000                                                  | 3.9%                                                     | 3.6%                                                     |
| Public Safety Fee                             | 0                | 0                                                        | 0                                                         | 0                                                      | 0                                                      |                                                          |                                                          |
| Health Care Provider Fee                      | 0                | 0                                                        | 0                                                         | 0                                                      | 0                                                      |                                                          |                                                          |
| Estate Tax                                    | 27,130           | 27,835                                                   | 28,488                                                    | 705                                                    | 653                                                    | 2.6%                                                     | 2.3%                                                     |
| Deed Recordation                              | 70,398           | 67,230                                                   | 65,213                                                    | (3,168)                                                | (2,017)                                                | -4.5%                                                    | -3.0%                                                    |
| Deed Transfer                                 | 47,001           | 44,886                                                   | 43,539                                                    | (2,115)                                                | (1,347)                                                | -4.5%                                                    | -3.0%                                                    |
| Economic Interests                            | 3,687            | 4,000                                                    | 4,000                                                     | 313                                                    | 0                                                      | 8.5%                                                     | 0.0%                                                     |
| <b>Total, Other Taxes</b>                     | <b>355,506</b>   | <b>356,986</b>                                           | <b>359,306</b>                                            | <b>1,480</b>                                           | <b>2,360</b>                                           | <b>0.4%</b>                                              | <b>0.7%</b>                                              |
| <b>TOTAL TAX REVENUE</b>                      | <b>2,797,716</b> | <b>2,874,101</b>                                         | <b>2,892,996</b>                                          | <b>76,385</b>                                          | <b>18,895</b>                                          | <b>2.7%</b>                                              | <b>0.7%</b>                                              |
| Licenses and Permits                          | 48,080           | 40,994                                                   | 37,095                                                    | (7,086)                                                | (3,899)                                                | -14.7%                                                   | -9.5%                                                    |
| Fines and Forfeitures                         | 47,710           | 62,922                                                   | 62,316                                                    | 15,212                                                 | (606)                                                  | 31.9%                                                    | -1.0%                                                    |
| Charges for Services                          | 38,026           | 37,802                                                   | 40,228                                                    | (224)                                                  | 2,426                                                  | -0.6%                                                    | 6.4%                                                     |
| Miscellaneous Revenue                         | 94,824           | 87,134                                                   | 66,133                                                    | (7,690)                                                | (21,001)                                               | -8.1%                                                    | -24.1%                                                   |
| Tobacco Settlement: 30%                       | 0                | 16,049                                                   | 0                                                         |                                                        |                                                        |                                                          |                                                          |
| <b>Total, Nontax Revenue</b>                  | <b>228,640</b>   | <b>244,901</b>                                           | <b>205,772</b>                                            | <b>16,261</b>                                          | <b>(39,129)</b>                                        | <b>7.1%</b>                                              | <b>-16.0%</b>                                            |
| <b>TOTAL TAX &amp; NON-TAX REVENUE</b>        | <b>3,026,356</b> | <b>3,119,002</b>                                         | <b>3,098,768</b>                                          | <b>92,646</b>                                          | <b>-20,234</b>                                         | <b>3.1%</b>                                              | <b>-0.6%</b>                                             |
| Federal Payment                               | 0                | 23,750                                                   | 28,211                                                    | 23,750                                                 | 4,461                                                  |                                                          | 18.8%                                                    |
| Lottery                                       | 64,225           | 69,000                                                   | 69,000                                                    | 4,775                                                  | 0                                                      | 7.4%                                                     | 0.0%                                                     |
| <b>TOTAL LOCAL SOURCE REVENUE</b>             | <b>3,090,581</b> | <b>3,211,752</b>                                         | <b>3,195,979</b>                                          | <b>121,171</b>                                         | <b>(15,773)</b>                                        | <b>3.9%</b>                                              | <b>-0.5%</b>                                             |
| Tobacco Settlement: 70% FY00, 100% thereafter | 0                | 37,899                                                   | 42,036                                                    | 37,899                                                 | 4,137                                                  |                                                          | 10.9%                                                    |
| <b>GENERAL FUND + Tobacco Settlement</b>      | <b>3,090,581</b> | <b>3,249,651</b>                                         | <b>3,238,015</b>                                          | <b>159,070</b>                                         | <b>(11,636)</b>                                        | <b>5.1%</b>                                              | <b>-0.4%</b>                                             |

*Note: Estimates and actuals are net of Convention Center, Arena and Highway Trust Fund revenue.*

Revenue

| Local Fund Revenue, FY1989-FY1999 (\$000) |           |           |           |           |           |           |           |           |      |
|-------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------|
|                                           | 1989      | 1990      | 1991      | 1992      | 1993      | 1994      | 1995      | 1996      | 1997 |
| Real Property                             | 638,218   | 664,591   | 801,876   | 820,892   | 928,322   | 730,641   | 654,284   | 624,382   | 6    |
| Personal Property                         | 63,404    | 62,584    | 69,899    | 65,609    | 67,085    | 62,437    | 61,305    | 65,201    |      |
| Public Space                              | 9,144     | 9,963     | 10,103    | 16,818    | 16,256    | 17,931    | 14,754    | 12,052    |      |
| Total Property                            | 710,766   | 737,138   | 881,878   | 903,319   | 1,011,663 | 811,009   | 730,343   | 701,635   | 6    |
| General Sales and Use                     | 428,763   | 466,557   | 451,582   | 442,496   | 410,068   | 458,555   | 485,651   | 467,527   | 4    |
| Alcohol                                   | 6,215     | 6,136     | 6,541     | 5,835     | 5,289     | 4,878     | 4,930     | 5,100     |      |
| Cigarette                                 | 9,383     | 9,178     | 10,426    | 17,065    | 20,845    | 21,721    | 20,117    | 18,676    |      |
| Motor Vehicle Fuel                        | 6,489     | 30,207    | 30,114    | 28,586    | 34,780    | 36,107    | 34,617    | n/a       |      |
| Motor Vehicle Excise                      | 29,550    | 26,043    | 23,555    | 22,108    | 24,268    | 27,456    | 30,440    | 31,668    |      |
| Hotel Occupancy                           | 26,769    | 8,702     | 8,786     | 8,660     | 9,485     | 8,757     | 8,352     | 7,420     |      |
| Total Selective Sales                     | 78,406    | 80,266    | 79,422    | 82,254    | 94,667    | 98,919    | 98,456    | 39,088    |      |
| Individual Income                         | 603,469   | 637,910   | 615,746   | 620,208   | 589,521   | 650,660   | 643,676   | 689,408   | 7    |
| Corporate Franchise                       | 125,144   | 112,273   | 102,767   | 62,751    | 105,038   | 113,981   | 121,407   | 123,114   | 1    |
| U.B. Franchise                            | 31,270    | 27,468    | 30,512    | 25,126    | 35,960    | 36,227    | 39,272    | 31,031    |      |
| Total Income                              | 759,883   | 777,651   | 749,025   | 708,085   | 730,519   | 800,868   | 804,355   | 843,553   | 9    |
| Insurance                                 | 30,202    | 33,816    | 33,338    | 31,785    | 32,187    | 31,208    | 34,703    | 33,121    |      |
| Public Utility                            | 95,497    | 74,601    | 86,239    | 115,297   | 127,245   | 134,228   | 131,012   | 144,842   | 1    |
| Toll Telephone Tax                        | 10,981    | 19,156    | 22,985    | 33,110    | 37,807    | 39,958    | 44,554    | 45,464    |      |
| Health Care Provider Fee                  |           |           |           |           | 32,354    | 27,708    | 175       | 11,530    |      |
| Public Safety Fee                         |           |           |           |           |           | 10,097    | 468       | 0         |      |
| Total Gross Receipts                      | 136,680   | 127,573   | 142,562   | 180,192   | 229,593   | 243,199   | 210,912   | 234,957   | 2    |
| Estate                                    | 24,678    | 23,497    | 26,970    | 29,922    | 38,680    | 11,714    | 16,807    | 32,175    |      |
| Deed Recordation                          | 37,637    | 35,477    | 19,953    | 17,831    | 20,245    | 23,547    | 22,691    | 33,099    |      |
| Deed Transfer                             | 27,785    | 30,968    | 18,815    | 19,944    | 21,506    | 21,980    | 21,826    | 26,701    |      |
| Economic Interests                        |           |           | 1,525     | 257       | 911       | 262       | 0         | 10        |      |
| Total Other Taxes                         | 90,100    | 89,942    | 67,263    | 67,954    | 81,342    | 57,503    | 61,324    | 91,985    |      |
| TOTAL TAXES                               | 2,204,598 | 2,279,127 | 2,371,732 | 2,384,300 | 2,557,852 | 2,470,053 | 2,391,041 | 2,402,521 | 2,4  |

Revenue

**Local Fund Revenue, FY1989 – FY1999 (\$000) Con't**

|                                        | 1989             | 1990             | 1991             | 1992             | 1993             | 1994             | 1995             | 1996             | 1997        |
|----------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|
| Business Licenses & Permits            | 16,743           | 15,711           | 15,799           | 21,123           | 25,868           | 29,202           | 29,943           | 29,663           |             |
| Non-Business Licenses & Permits        | 16,326           | 16,574           | 17,198           | 20,733           | 18,696           | 19,896           | 17,640           | 19,737           |             |
| <b>Total Licenses &amp; Permits</b>    | <b>33,069</b>    | <b>32,285</b>    | <b>32,997</b>    | <b>41,856</b>    | <b>44,564</b>    | <b>49,098</b>    | <b>47,583</b>    | <b>49,400</b>    |             |
| Fines and Forfeitures                  | 45,511           | 48,542           | 53,026           | 51,860           | 51,845           | 48,107           | 42,447           | 40,792           |             |
| Parking Meters                         | 10,418           | 10,947           | 12,558           | 13,468           | 13,229           | 12,954           | 12,889           | 9,681            |             |
| Other Charges                          | 36,548           | 38,789           | 39,113           | 43,952           | 39,674           | 39,150           | 39,798           | 36,353           |             |
| <b>Total Charges for Services</b>      | <b>46,966</b>    | <b>49,736</b>    | <b>51,671</b>    | <b>57,420</b>    | <b>52,903</b>    | <b>52,104</b>    | <b>52,687</b>    | <b>46,134</b>    |             |
| Interest Income                        | 21,423           | 24,989           | 26,645           | 23,255           | 7,171            | 7,995            | 17,994           | 13,917           |             |
| Unclaimed Property                     | 4,670            | 1,960            | 6,573            | 15,303           | 12,614           | 13,904           | 13,856           | 16,230           |             |
| Other Revenue                          | 10,366           | 14,041           | 15,216           | 13,693           | 12,975           | 25,353           | 21,984           | 11,870           |             |
| <b>Total Misc. Revenue</b>             | <b>36,459</b>    | <b>40,990</b>    | <b>48,434</b>    | <b>52,251</b>    | <b>32,760</b>    | <b>47,252</b>    | <b>53,834</b>    | <b>42,017</b>    |             |
| <b>TOTAL NON-TAX REVENUE</b>           | <b>162,005</b>   | <b>171,553</b>   | <b>186,128</b>   | <b>203,387</b>   | <b>182,073</b>   | <b>196,561</b>   | <b>196,551</b>   | <b>178,344</b>   | <b>2</b>    |
| <b>TOTAL TAX &amp; NON-TAX REVENUE</b> | <b>2,366,603</b> | <b>2,450,680</b> | <b>2,557,860</b> | <b>2,587,687</b> | <b>2,739,925</b> | <b>2,666,614</b> | <b>2,587,592</b> | <b>2,580,865</b> | <b>2,7</b>  |
| Lottery Transfer                       | 53,000           | 48,875           | 45,700           | 48,500           | 66,875           | 69,050           | 85,100           | 75,250           |             |
| Federal Payment                        | 453,800          | 506,966          | 625,231          | 643,772          | 635,930          | 647,930          | 660,000          | 660,000          | 6           |
| <b>TOTAL GENERAL FUND REVENUE</b>      | <b>2,873,403</b> | <b>3,006,521</b> | <b>3,228,791</b> | <b>3,279,959</b> | <b>3,442,729</b> | <b>3,383,594</b> | <b>3,332,692</b> | <b>3,316,114</b> | <b>3,43</b> |

Source: Comprehensive Annual Financial Report (various years) ; amounts for FY 1998 are reported net of transfers to the Convention Center Fund. Note: FY 1997 Total Revenue surplus property.

Revenue

| R Stars<br>(Revenue)<br>Code             | Revenue Source                           | Actual<br>FY 1999 | Estimate<br>FY 2000 | Estimate<br>FY 2001 |
|------------------------------------------|------------------------------------------|-------------------|---------------------|---------------------|
| <b>Business Licenses and Permits</b>     |                                          |                   |                     |                     |
| 3001                                     | Insurance License                        | 1,816.2           | 1,000.0             | 1,700.0             |
| 3003                                     | Professional License                     | 7,585.1           | 0.0                 | 0.0                 |
| 3006                                     | Hacker's License                         | 296.9             | 325.0               | 325.0               |
| 3007                                     | Security Broker Fee                      | 100.0             | 100.0               | 100.0               |
| 3009                                     | Self-Unloading Permit                    | 592.6             | 736.0               | 754.0               |
| 3010                                     | Other Business License                   | 3,066.9           | 3,162.0             | 3,241.0             |
| 3011                                     | Occupational & Professional License      | 1,610.9           | 4,930.0             | 2,000.0             |
| 3012                                     | Building Structures, Equipment           | 8,896.7           | 7,000.0             | 5,996               |
| 3013                                     | Certificate of Occupancy                 | 271.8             | 0.0                 | 0.0                 |
| 3014                                     | Refrigeration & Plumbing Permit          | 1,041.4           | 720.0               | 738.0               |
| 3015                                     | Electrical Permit                        | 1,294.1           | 814.0               | 834.0               |
| 3016                                     | Public Space Excavation Permit           | 596.8             | 240.0               | 246.0               |
| 3017                                     | Alcoholic Beverage License               | 1,746.3           | 2,650.0             | 1,700.0             |
| 3018                                     | Healing Arts                             | 316.9             | 261.0               | 293.0               |
| 4879                                     | Investment Advisors Act                  | 229.0             | 229.0               | 225.0               |
| 3020                                     | Boxing & Wrestling                       | 103.7             | 102.0               | 105.0               |
| 3021                                     | Vendor Fee                               | 1,297.3           | 1,300.0             | 1,300.0             |
| <b>TOTAL</b>                             | <b>BUSINESS LICENSES AND PERMITS</b>     | <b>30,862.7</b>   | <b>23,569.0</b>     | <b>19,527.0</b>     |
| <b>Non Business Licenses and Permits</b> |                                          |                   |                     |                     |
| 3101                                     | Driver's Permit                          | 1,823.8           | 1,739.1             | 1,773.9             |
| 3110                                     | Bike Registration                        | 5.8               | 5.0                 | 5.0                 |
| 3120                                     | Boat Registration                        | 122.0             | 127.7               | 131.0               |
| 3130                                     | Other Non-Business Licenses              | 47.8              | 50.0                | 50.0                |
| 3141                                     | Reciprocity Permit                       | 97.9              | 203.7               | 207.8               |
| 3151                                     | Motor Vehicle Registration               | 15,449.1          | 15,300.0            | 15,400.0            |
| <b>TOTAL</b>                             | <b>NON BUSINESS LICENSES AND PERMITS</b> | <b>17,546.3</b>   | <b>17,425.5</b>     | <b>17,567.7</b>     |
| <b>Fines and Forfeitures</b>             |                                          |                   |                     |                     |
| 5000                                     | Hacker's Fines                           | 2.6               | 10.0                | 10.0                |
| 5010                                     | Traffic Fines                            | 45,949.7          | 45,231.7            | 46,136.3            |
| 5010                                     | Red Light Cameras*                       | 90.0              | 16,000.0            | 14,500.0            |
| 5020                                     | Sale of Abandoned Property               | 54.6              | 200.0               | 200.0               |
| 5030                                     | Booting Fees                             | 630.0             | 630.0               | 620.0               |
| 5040                                     | Towing Fees                              | 580.7             | 600.0               | 600.0               |
| 5050                                     | Impoundment Fees                         | 264.4             | 250.0               | 250.0               |
| <b>TOTAL</b>                             | <b>FINES AND FORFEITURES</b>             | <b>47,572.0</b>   | <b>62,921.7</b>     | <b>62,316.3</b>     |

Revenue

| R Stars<br>(Revenue)<br>Code |                                | Actual   | Estimate | Estimate |
|------------------------------|--------------------------------|----------|----------|----------|
|                              |                                |          |          |          |
|                              | Revenue Source                 | FY 1999  | FY 2000  | FY 2001  |
| Miscellaneous                |                                |          |          |          |
| 6101                         | Bus Shelter Advertisement      | 1,334.1  | 1,300.0  | 1,300.0  |
| 6103                         | Reimbursements                 | 7,800.0  | 6,250.0  | 0.0      |
| 5600                         | Interest Income                | 41,289.0 | 41,300.0 | 26,300.0 |
| 6105                         | Concession Income              | 46.9     | 49.2     | 51.7     |
| 6106                         | Other Revenue                  | 3,172.7  | 3,860.3  | 3,968.1  |
| 6100                         | Surplus Property               | 268.5    | 0.0      | 0.0      |
| 5700                         | Disposition/Unclaimed Property | 31,511.3 | 25,000.0 | 25,000.0 |
| 6107                         | Civil Infractions              | 501.1    | 350.0    | 359.0    |
| 3022                         | KEG Registration Fund          | 0.0      | 3.0      | 3.0      |
|                              | WASA PILOT                     | 8,900.0  | 9,022.0  | 9,151.0  |
| TOTAL                        | MISCELLANEOUS                  | 94,823.6 | 87,134.5 | 66,132.8 |
| Charges for Services         |                                |          |          |          |
| 3202                         | Boiler Inspection Permit       | 58.7     | 47.0     | 48.0     |
| 3203                         | Smoke Regulation Permit        | 0.0      | 6.0      | 6.0      |
| 3204                         | Elevator Inspection            | 372.0    | 280.0    | 287.0    |
| 3205                         | Rental Accommodations          | 1,917.1  | 1,327.0  | 1,360.0  |
| 3206                         | Fingerprints, Photos           | 20.9     | 17.9     | 18.4     |
| 3207                         | Other Service Charges          | 766.0    | 750.0    | 750.0    |
| 3208                         | Reproduction of Reports        | 945.9    | 900.0    | 900.0    |
| 3209                         | Emergency Ambulance            | 4,380.2  | 5,300.0  | 5,000.0  |
| 3210                         | Transcript of Records          | 311.0    | 231.9    | 238.4    |
| 3211                         | Firearm User Fee               | 16.0     | 10.1     | 10.4     |
| 3212                         | Police Hauling & Storage       | 18.0     | 33.8     | 34.7     |
| 3400                         | Parking Meters                 | 12,783.6 | 13,039.3 | 13,300.1 |
| 3213                         | Light Lamps/Right of Way       | 0.0      | 4,500.0  | 6,700.0  |
| 3215                         | Motor Vehicle Titles           | 1,458.4  | 1,529.6  | 1,560.2  |
| 3216                         | Solid Waste Disposal           | 471.7    | 200.0    | 200.0    |
| 3219                         | Wharves and Markets            | 33.5     | 23.7     | 24.9     |
| 3220                         | Surveyor's Fees                | 162.9    | 161.0    | 161.0    |
| 3221                         | Recordation Fee                | 3,625.6  | 3,138.0  | 3,100.0  |
| 3222                         | Corporate Recordation          | 5,657.7  | 4,700.0  | 4,818.0  |
| 3223                         | Parking Permits and Fees       | 1,018.1  | 900.0    | 950.0    |
| 3224                         | Street/Gutter Assessment       | 4.2      | 3.0      | 3.0      |
| 3227                         | Condo/Coop Certificate         | 4.7      | 5.0      | 5.0      |
| 3228                         | Condo Registration             | 6.4      | 23.0     | 24.0     |
| 3234                         | Auditor's Assessment           | 122.0    | 130.0    | 130.0    |
| 3232                         | Cable TV Franchise Fee         | 2,100.0  | 0.0      | 0.0      |
| 6108                         | COCOT Registration Fee         | 25.0     | 21.0     | 25.0     |
| 6109                         | VHS Tape Budget Fee            | 3.0      | 0.0      | 0.0      |

# Revenue

| R Stars<br>(Revenue)<br>Code | Revenue Source              | Actual<br>FY 1999 | Estimate<br>FY 2000 | Estimate<br>FY 2001 |
|------------------------------|-----------------------------|-------------------|---------------------|---------------------|
| 3201                         | Home Occupancy License      | 38.5              | 47.0                | 48.0                |
| 3200                         | TELCO Act of 1996           | 30.0              | 41.0                | 45.0                |
| <b>TOTAL</b>                 | <b>CHARGES FOR SERVICES</b> | <b>37,087.0</b>   | <b>37,801.9</b>     | <b>40,228.0</b>     |

(\$ in 000s)